The Standard for Stability

GREAT-WEST LIFECO INC.

GREAT-WEST LIFECO INC. ANNUAL REPORT 2002

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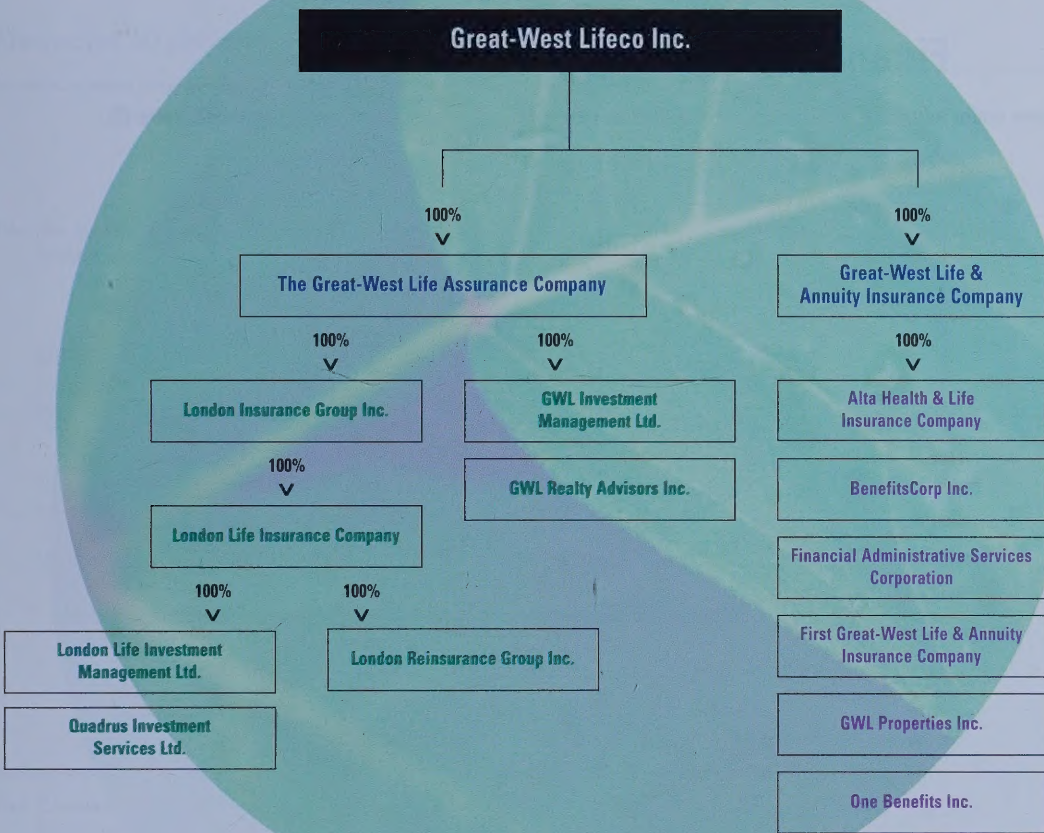
Forward-Looking Statements

This report may contain forward-looking statements about future operations, financial results, objectives and strategies of the Company. Forward-looking statements are typically identified by the words "believe", "expect", "anticipate", "intend", "estimate" and other similar expressions.

These statements are necessarily based on estimates and assumptions that are inherently subject to risks and uncertainties, many of which are beyond the Company's control. Actual results may differ materially due to a variety of factors, including legislative or regulatory developments, competition, technological change, global capital market activity, interest rates and general economic and political conditions in Canada, North America or internationally.

Readers are urged to consider these and other such factors carefully and not place undue emphasis on the Company's forward-looking statements.

Unless otherwise required by securities laws, the Company does not intend or have any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.



Corporate Profile

Great-West Lifeco Inc. is a financial services holding company with interests in the life and health insurance, investment and retirement savings and reinsurance businesses, primarily in Canada and the United States.

Lifeco and its companies have more than $96 billion in assets under administration. Its major subsidiaries are The Great-West Life Assurance Company (Great-West) in Canada and Great-West Life & Annuity Insurance Company (GWL&A) in the United States. Lifeco is a member of the Power Financial Corporation group of companies.

The Great-West Life Assurance Company

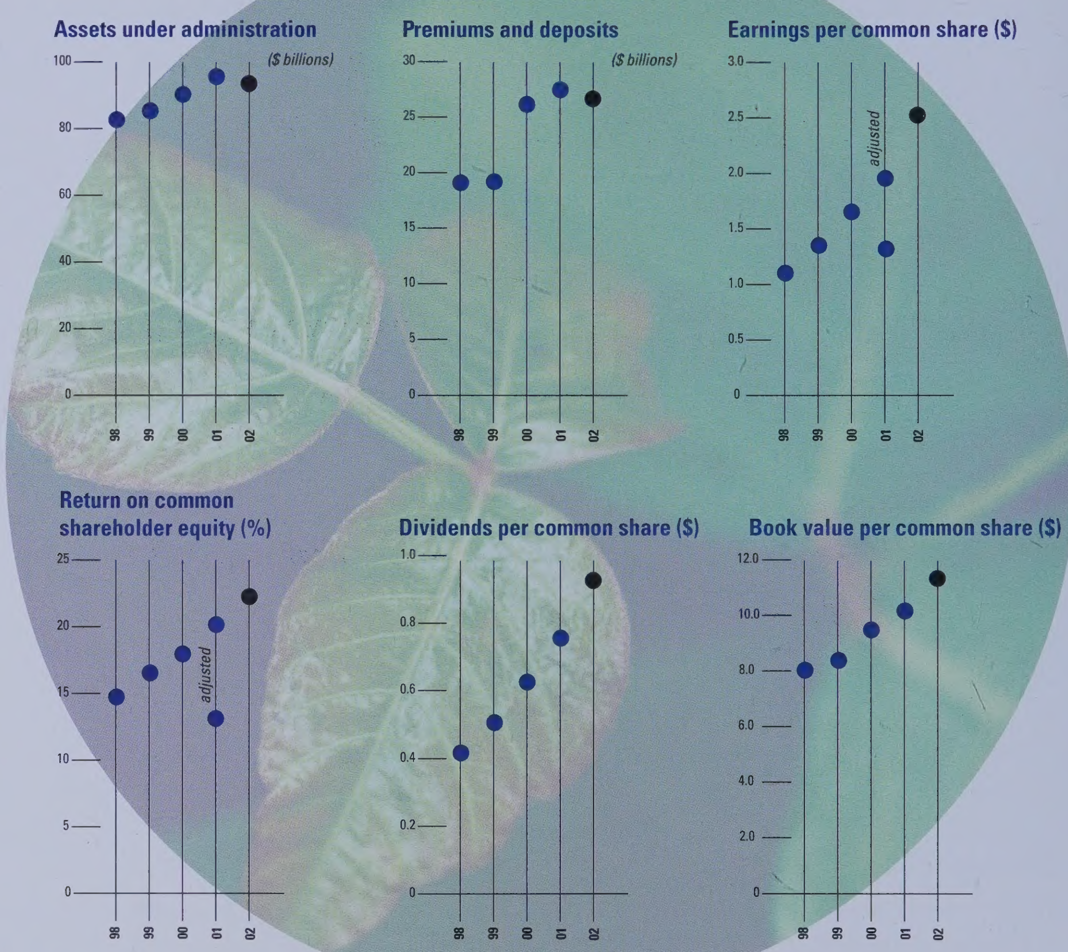
Great-West and its subsidiary, London Life Insurance Company, serve nine million Canadians with a broad portfolio of financial and benefit plan solutions for individuals, families, businesses and organizations. Products are marketed through a network of Great-West and Freedom 55 Financial™ security advisors, through brokers and marketing agreements with other financial institutions.

Great-West is a supplier of reinsurance in the United States and Europe through London Reinsurance Group Inc. (LRG).

Great-West Life & Annuity Insurance Company

In the United States, GWL&A is a leader in providing employee benefits for corporations and in meeting the retirement income needs of employees in the public/non-profit sector. GWL&A serves its customers through a full range of managed healthcare, life and disability insurance, and defined contribution plans marketed through brokers, consultants, and group representatives, and through marketing partnerships with other financial institutions.

Financial Highlights



2001– adjusted for Alta and September 11, 2001.

Assets under Administration
Total assets under administration have grown an average of 4% a year for the past five years, despite a decline of 2% in 2002.

Premiums and Deposits
Premiums and deposits have increased an average of 9% a year for the past five years, despite a decline of 3% in 2002.

Earnings per Common Share
Earnings per common share, at $2.53, were up 15% from comparable 2001 levels, with an average annual growth rate of 21% since 1998.

Return on Common Shareholder Equity
ROE was 22.9% in 2002, continuing to rank among the top in the Canadian financial services industry.

Dividends per Common Share
Dividends paid on common shares during the year increased 21% to $0.95 per share, with an average annual growth rate of 21% since 1998.

Book Value per Common Share
Book value of Lifeco's common shares has increased an average of 10% a year for the past five years, to $11.68 per share.

Financial Highlights

(in millions of dollars except per common share amounts)

	2002			2001			
	Canada	**U.S.**	**Total**	Canada	U.S.	Total	% Change
For the years ended December 31							
Premiums:							
Life insurance, guaranteed annuities and insured health products	$ 4,276	$ 2,989	$ 7,265	$ 3,996	$ 3,026	$ 7,022	3%
Reinsurance & specialty general insurance	3,922	–	3,922	3,455	–	3,455	14%
Self-funded premium equivalents (ASO contracts) *(1)*	1,355	8,209	9,564	1,238	8,861	10,099	-5%
Segregated funds deposits: *(1)*							
Individual products	1,649	644	2,293	1,586	1,369	2,955	-22%
Group products	1,163	3,219	4,382	1,045	3,650	4,695	-7%
Total premiums and deposits	$ 12,365	$ 15,061	$ 27,426	$ 11,320	$ 16,906	$ 28,226	-3%
Fee and other income	420	1,387	1,807	391	1,467	1,858	-3%
Paid or credited to policyholders	8,978	3,615	12,593	8,308	3,722	12,030	5%
Net income attributable to:							
Preferred shareholders	31	–	31	30	1	31	–
Common shareholders	441	490	931	249	266	515	81%
2001 adjustments *(2)*							
Goodwill amortization	–	–	–	62	4	66	
Alta	–	–	–	–	165	165	
September 11, 2001	–	–	–	73	–	73	
Adjusted net income common shareholders *(2)*	441	490	931	384	435	819	14%
Per Common Share							
Basic earnings			$ 2.530			$ 1.387	82%
2001 adjustments *(2)*							
Goodwill amortization			–			0.177	
Alta			–			0.444	
September 11, 2001			–			0.199	
Adjusted basic earnings *(2)*			2.530			2.207	15%
Dividends paid			0.945			0.780	21%
Book value			11.68			10.47	12%
Return on common shareholders' equity							
Net income			22.9%			13.7%	
Adjusted net income *(2)*			–			20.8%	
At December 31							
Total assets	$ 36,010	$ 24,061	$ 60,071	$ 34,690	$ 24,469	$ 59,159	2%
Segregated funds assets *(1)*	18,504	17,544	36,048	19,093	19,774	38,867	-7%
Total assets under administration	$ 54,514	$ 41,605	$ 96,119	$ 53,783	$ 44,243	$ 98,026	-2%
Capital stock and surplus			$ 4,708			$ 4,397	7%

(1) Segregated funds deposits and self-funded premium equivalents (ASO contracts)

The financial statements of a life insurance company do not include the assets, liabilities, deposits and withdrawals of segregated funds or the claims payments related to administrative services only (ASO) Group health contracts. However, the Company does earn fee and other income related to these contracts.

Both segregated fund and ASO contracts are an important aspect of the overall business of the Company and should be considered when comparing volumes, size and trends.

(2) In addition to net income (Canadian GAAP basis), adjusted net income for 2001 is presented for information. 2001 results include:

(i) A charge of $66 after-tax or $0.177 per common share related to the amortization of goodwill. On January 1, 2002, the Company stopped amortizing goodwill in accordance with new Canadian Institute of Chartered Accountants standard 3062 Goodwill and Other Intangible Assets (see note 1 of the Company's 2002 financial statements).

(ii) A charge of $165 after-tax or $0.444 per common share related to Alta Health & Life Insurance Company (Alta), an indirect wholly-owned subsidiary and part of the Company's United States Employee Benefits segment.

(iii) A charge of $73 after-tax or $0.199 per common share from the events of September 11, 2001.

Return on common shareholders' equity is also presented excluding 2001 adjustments.

Business Operations at a Glance

The Great-West Life Assurance Company (Canadian Operations)

GROUP INSURANCE

Employee benefits for 26,000 plan sponsors. Significant positions in all markets – by region, case size and product.

PRODUCTS AND SERVICES

Life and accidental death and dismemberment insurance • Short and long-term disability insurance and disability management programs
Drug/dental/vision coverage not provided by Medicare • Employee assistance plans • Flexible benefit plans • Benefit plans for individuals and their families

DISTRIBUTION

975 Great-West and 2,850 Freedom 55 Financial security advisors
2,800 Investors Group consultants
Independent brokers and benefit consultants

INDIVIDUAL INSURANCE AND INVESTMENT PRODUCTS

Financial security products for individuals, and retirement savings and income products for groups and individuals.

PRODUCTS AND SERVICES

Participating and non-participating life insurance • Disability and critical illness insurance
Registered and non-registered savings & income products, including 260 segregated funds • 40 exclusive mutual funds through Quadrus Investment Services

DISTRIBUTION

975 Great-West financial security advisors distribute Great-West and third-party products
2,850 Freedom 55 Financial security advisors distribute proprietary London Life products, Great-West and third-party products
2,800 Investors Group consultants distribute Great-West products
8,700 independent brokers and 2,600 representatives of intercorporate partners distribute Great-West products

INVESTMENT MANAGEMENT AND ADVISORY SERVICES

Fund management, investment and advisory services for more than 200 institutional clients through GWL Investment Management Ltd. and London Life Investment Management Ltd.

Real estate investment and advisory services through GWL Realty Advisors Inc., one of Canada's largest real estate investment advisors.

REINSURANCE

Life, property and casualty, accident and health, and annuity reinsurance through London Reinsurance Group, a successful niche reinsurance company. Distributed through LRG staff and independent brokers in the United States and Europe.

STATISTICS

Serves 9 million Canadians:
7 million Canadians covered under employee benefit plans • Nearly 2 million individual insurance clients
500,000 segregated fund clients • 400,000 group retirement plan members

MARKET SHARE

Employee benefits – 18%
Individual life insurance in force premium – 17%
Individual living benefits in force premium – 21%
Group segregated funds – 22%
Individual segregated funds – 26%

Great-West Life & Annuity Insurance Company (United States Operations)

EMPLOYEE BENEFITS

Life, health and disability insurance products for more than 5,000 corporate employers

PRODUCTS AND SERVICES

Life, health, dental and disability insurance • Managed healthcare programs • Flexible benefits accounts

DISTRIBUTION

325 sales and service staff

FINANCIAL SERVICES

Retirement savings plans, life insurance products and services for individuals and employees of state and local governments, hospitals and non-profit organizations, public school districts, and private businesses.

PRODUCTS AND SERVICES

Employer-sponsored, defined contribution programs and services
Recordkeeping and administration • Enrollment and education • Proprietary and non-proprietary investment options
Communications • Private label annuity products • Corporate-owned life insurance • 401(k) savings products and rollover IRA products
Recordkeeping and administration services for financial institutions

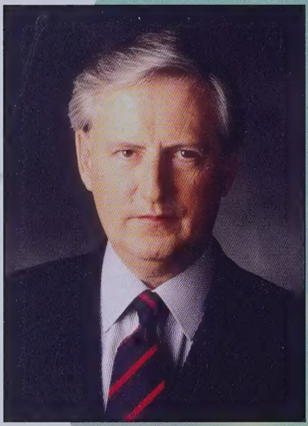
DISTRIBUTION

Nearly 300 representatives and service personnel • Marketing agreements with financial institutions to distribute individual life insurance
Independent marketing agencies distribute pension products • BenefitsCorp distributes pension products and services
FASCorp distributes recordkeeping and administration services • Clarke/Bardes Inc. distributes business owned life insurance products
Charles Schwab & Co. Inc. distributes individual life insurance and annuities

STATISTICS

2.2 million medical members • 475,000 401(k) members
1.3 million public/non-profit defined contribution pension plan participants • 375,000 FASCorp third-party participants
One of the largest healthcare companies in America • Significant market share in state and government deferred compensation plans

Defining the Standard for Sustainable Growth


Robert Gratton


Raymond L. McFeetors


William T. McCallum

Directors' Report to Shareholders

While the year 2002 posed many challenges for investors, for Lifeco's shareholders the story was a familiar one – strong results, stable growth and increasing shareholder value.

Lifeco approached its first billion dollar year in earnings in 2002, as earnings attributable to common shareholders reached $931 million. On a per common share basis, earnings were up 15% over 2001, to $2.53 per share. Earnings growth was strong in both our subsidiaries – with earnings from Great-West Life in Canada increasing 15% to $441 million, and earnings from Great-West Life & Annuity in the United States up 13% to $490 million.

Return on equity, at 22.9%, led the Canadian insurance industry and ranks among the highest reported ROEs for a Canadian financial services company. For the 10th consecutive year, we increased dividends paid to common shareholders. In 2002, dividends increased 21%, for an average annual growth rate of 21% since 1998.

Over the past five years, both earnings per common share and dividends per common share have recorded an average annual growth rate of 21%.

As confidence in the economic environment declined, consumers and businesses continued to turn to Lifeco's subsidiaries as a source of stability. Although overall premiums and deposits for total Canadian and United States operations declined 3% over 2001, premiums for guaranteed products – such as life insurance, guaranteed annuities and insured health products – increased 3%. These products are well suited to an environment where consumers and businesses have become much more conservative with their money.

Consumer concerns with security were also reflected in the segregated and mutual funds markets, where the industry continued to experience escalating levels of withdrawals in 2002. For Lifeco, however, the decline in segregated funds assets of 7% compared very favourably with the industry, particularly in Canada. Other assets grew 2%, with total assets under administration ending the year down 2% to $96 billion.

This performance points to one of the attributes that enables Lifeco to consistently generate strong results in a less than favourable operating environment – the powerful distribution systems developed by our subsidiaries on both sides of the border. These distribution systems reflect the unique needs of the markets in which they operate, and range from systems where clients form enduring relationships with their representative or advisor that are focused on the long term, to partnerships with major financial institutions and innovative Internet-based distribution systems.

Lifeco's income is generated from a well-balanced variety of sources, including premiums from traditional insurance products, fees and deposits from wealth accumulation products, and fees from a growing range of services. Professionals and self-employed individuals, families, small businesses, large organizations and other insurers look to us to help protect their financial security, manage adverse events, administer their benefit and pension plans, plan for retirement and maintain their health and wellness.

As well, our earnings continue to be diversified geographically in Canada and the United States.

All these sources, however, share a common attribute – a disciplined management focus on core competencies. Our subsidiaries combine innovative products and services with conservative management that keeps them focused on markets where they have the experience and expertise to set the standard for the marketplace. Disciplined expense management and the scale of our operations allow us to offer clients excellent value for their money. Our philosophy of offering competitive pricing consistent with providing sustainable, high quality products and services, is at the core of our track record of quality that clients can depend on and consistent, superior performance for shareholders.

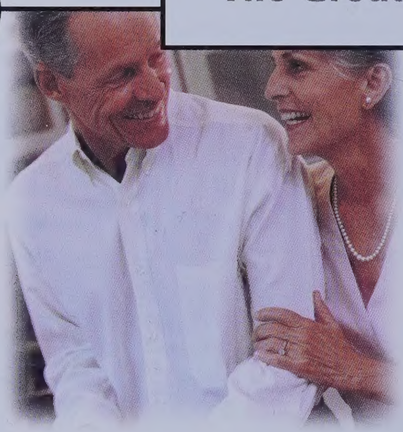
The past two years have been years of challenge and opportunity for Lifeco and its subsidiaries. Thanks to the expertise, innovation and hard work of the people in our offices across Canada, the United States and internationally, Lifeco's companies have managed the challenges and continued to build on the opportunities. Our success is testament to the skills and dedication of these people. On behalf of the Board of Directors, we thank them, and extend our appreciation to our customers and shareholders for their continued support.

Robert Gratton
Chairman of the Board

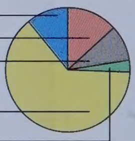
Raymond L. McFeetors
Co-President and
Chief Executive Officer

William T. McCallum
Co-President and
Chief Executive Officer

The Great-West Life Assurance Company



Sources of revenue *($ billions)*



Great-West Life's distribution power, product and service diversity, and financial strength enabled the Company to continue to deliver results for clients and investors in the difficult operating environment of 2002.

Great-West and its subsidiary, London Life, outperformed the industry in many areas, and experienced strong growth in several key markets.

Earnings increased 15% over 2001, reflecting solid performance in the Company's main lines of business. Great-West saw significant gains in premiums and deposits and fee income while assets remained essentially flat year over year at $54.5 billion. Fee income increased 7% and overall premiums and deposits increased 9% over 2001, with growth occurring in all lines of business. Most notably, deposits increased for both individual and group segregated funds, despite eroding consumer confidence in the market.

The strong distribution systems of Great-West and Freedom 55 Financial continue to offer a competitive advantage. With 17,000 financial security advisors, brokers and consultants distributing Great-West or London Life branded individual and group products and services, the Company has significant reach in the Canadian marketplace. The expertise and value offered to clients by these representatives is a major factor behind the Company's success.

As well, Great-West's innovative support network, *The Resource Centre*™, provides financial security advisors with access to product specialists and offers marketing support that is unparalleled in the industry. This unique Canada-wide network offers a distinct marketplace advantage in providing expert solutions for clients.

This success is reflected in 2002 performance in three important areas. The first is in our individual segregated funds business, which outperformed the market in terms of growth and relatively low redemptions in 2002. Persistency – a measure of client confidence in the Company's products and services – was notably strong in group insurance and in both individual and group segregated funds. Sales of participating life insurance increased significantly over 2001 and outpaced the industry – an indication that people are turning to Great-West in their quest for financial protection for themselves and their families.

Great-West continues to seek out efficiencies that reduce expenses and enhance its very competitive unit costs. The Company's financial strength is reflected in its very strong Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio of 223%. As well, Great-West and London Life continue to receive superior ratings from the major rating agencies.

Agreement signed with National Bank of Canada

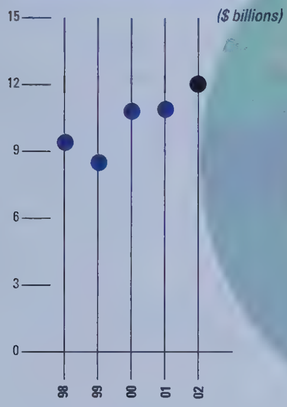
In November 2002, Great-West and London Life, together with Investors Group Inc., signed an agreement with National Bank to distribute banking products and services. The agreement will permit financial security advisors to offer their clients access to a broad range of banking products and services, from an experienced private-label banking supplier.

Reinsurance market in transition

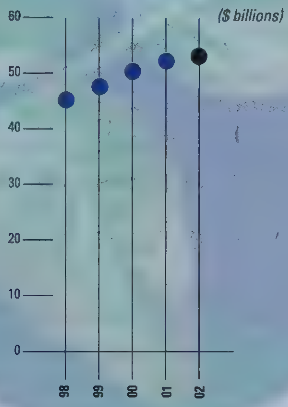
Reinsurance markets around the world reacted to the events of September 11, 2001 with higher premium rates, an increased counterparty credit focus, and tighter contract conditions that should hold for the foreseeable future. At the same time, there were new entrants to the market and several reinsurers exited the business. London Reinsurance Group holds a strong market position in the financial reinsurance market with opportunities for controlled growth over time.

Financial Highlights

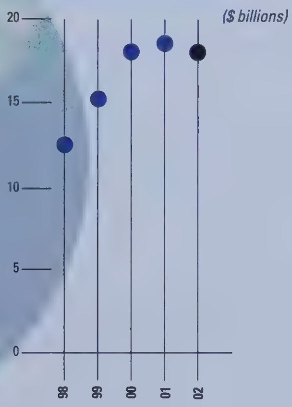
Premiums and deposits



Total assets under administration



Segregated funds assets



Group benefits

In 2002, Great-West reinforced its position as a premier provider of employee benefits solutions in Canada.

In a year when industry sales generally declined, Great-West's group sales increased 5%. During 2002, Great-West sales in the small and mid-size case markets were particularly strong, accounting for more than 30% of total industry sales in these market segments. In the large case market, sales of insured cases also showed strong growth, although sales of new administrative services only (ASO) cases declined, reflecting market conditions. That performance, coupled with a record client persistency level of 96%, resulted in strong overall growth for Great-West's group insurance business.

Already a leader in terms of low unit costs, Great-West also helps clients control both their plan administration and claim costs. Employers have been taking advantage of the online administration power of Great-West's industry-leading *GroupNet*™ since 1996, when the Company became the first insurer in Canada to offer Internet-based benefits services for plan sponsors.

In mid-2003, Great-West will introduce *GroupNet: online services for plan members*. These services will include the ability for plan members to, in real time, look up detailed information on plan coverage and claims, print personalized claim forms, and access a broad range of health and wellness information. Not only will this offer enhanced service for plan members, it will help reduce the administrative load on plan sponsors.

Great-West also helps clients control claim costs through a broad range of plan designs. In 2003, Great-West plans to introduce an ASO plan designed for the mid-size case market. ASO plans offer employers another option to control their benefit plan costs.

The Company will also introduce a wide array of new cost containment prescription drug plans, including tiered formularies, frozen formularies and dispense fee, and plan maximums. These plans will allow an employer to tailor drug coverage to their circumstances, helping them address the rapidly increasing cost of drug plans.

In the group disability market, Great-West has a history of helping plan sponsors manage claims and of supporting disabled employees in their recovery and return to work. In 2002, the Company introduced the services of disability management consultants, who assist plan sponsors in the design and implementation of absence management, workplace safety and claim management programs.

The Company's claims process places the emphasis on managing disability claims rather than simply adjudicating and paying claims. Disability case managers co-ordinate the efforts of medical co-ordinators, vocational rehabilitation consultants, the employer and external specialists. Their goal is to help ensure that, at an early date, the disabled employees receive effective medical care and become involved, when appropriate, in return-to-work programs. State-of-the-art disability tracking systems and reporting tools ensure these activities are well co-ordinated, while protecting the privacy of individual claimants.

In 2003, Great-West is expanding its spectrum of disability-related programs and services to address non-medical issues affecting employee absence. *Exchange*™ is a new communications-based approach that helps to identify and resolve non-medical issues in the early stages of an employee absence. Through facilitated meetings between the employee and supervisor, this program can help identify and remove potential barriers in the workplace and help the employee safely return to work.

With the addition of *Exchange*, Great-West offers a broad spectrum of disability-related programs and services, from traditional claims adjudication services to case management, early intervention and employee assistance programs.

Selectpac™, Great-West's industry leading group benefits product for small employers, accounts for one out of every three sales in the Canadian small case market.

Individual insurance

Great-West's individual life insurance performance significantly outpaced the industry in 2002. Although life insurance sales were down 2% across the industry†, Great-West's individual life insurance sales, including those of London Life, measured by annualized premium, increased by 11% to $108 million in 2002, while revenue premium exceeded $1.6 billion.

This success reflects the Company's strong portfolio of traditional term and, in particular, its participating life insurance products, where sales increased 28% over 2001. Sales were particularly strong in the wealth management market, where the strength of the participating insurance portfolio with its long-term track record, low volatility participating account, and cost-effective life insurance protection, offers an excellent solution to consumers' desire for security. Together with London Life, Great-West continues to have a dominant market position, with more than 40% of Canadian participating insurance sales.

In 2002, Great-West celebrated a milestone anniversary – 60 years since it became the first Canadian company to develop and sell its own individual disability insurance product. The Company continues to be a leading source of disability insurance in Canada. Sales of disability insurance increased modestly in 2002, with approximately 70% of new sales continuing to come from the self-employed market.

Great-West is also emerging as a market leader in critical illness insurance. The Company's *Oasis*™ product is one of the most flexible, competitive and affordable critical illness products on the market, contributing to the 9% increase in sales in the Living Benefits line in 2002.

Wealth accumulation and management

Great-West, together with London Life, is a leading provider of investment funds in Canada. Both mutual fund and segregated fund assets under management were relatively stable, despite difficult markets and investor anxiety.

In 2002, Great-West experienced a redemption rate of 9.9% in segregated funds and Canadian long-term mutual funds, which compares favourably with 13.9% in the Canadian mutual fund industry. The Company increased its market share of individual segregated funds assets by 2% to 25.8%, remaining the leader in Canada. According to 2002 mutual fund asset statistics published by the Investment Funds Institute of Canada (IFIC), total Canadian mutual fund assets decreased by 8%, while the Company's individual retail segregated fund assets grew during the same period.

† source: LIMRA

The strength of the Company's distribution relationships is a key factor in this growth. Great-West and Freedom 55 Financial security advisors help clients build a portfolio to meet long-term needs and avoid "favourite fund" picking. As a result, in 2002 almost $1 of every $5 of net sales in the investment fund industry went to Great-West or London Life segregated or mutual funds. For individual segregated funds, Great-West recorded a 68% share of net sales.

In 2003, Great-West will provide financial security advisors with greater access to client account information online, which will assist them in serving clients. In addition, financial security advisors will receive enhancements to their asset allocation program, enabling them to more fully customize clients' investment portfolios.

Mutual fund dealer one of the largest in Canada

Quadrus Investment Services is one of largest mutual fund dealers in Canada in terms of distribution, with more than 3,000 investment representatives. In addition to offering 40 exclusive mutual funds through *Quadrus Group of Funds*™, Quadrus administers assets in more than 2,000 other brand name funds.

Through its accommodation service, Quadrus offers clients the opportunity to consolidate all their mutual funds into a single investment plan. This makes it easier for clients to track their progress towards achieving their financial goals and simplifies tracking foreign content in a registered portfolio.

In 2002, Quadrus earned membership in the recently established Mutual Fund Dealers' Association (MFDA). It also launched an industry-leading tool, *invest@Quadrus*™, which enables investment representatives to quickly purchase, switch and redeem funds online, enabling them to be more proactive and responsive to clients' needs.

In 2002, Quadrus introduced a proprietary premium-class money market fund. Although Quadrus encourages a long-term approach to investing, this new product offers affluent clients a low-risk vehicle to hold assets of $100,000 or more for short periods.

Quadrus continues to assist Great-West investment representatives to transfer their mutual fund registration – and client portfolios – to Quadrus.

Great-West outperformed the market in sales of retail investment funds and participating life insurance in 2002 – a reflection of the trust clients place in the Company's financial security advisors.

Group retirement services

Unlike the Canadian group retirement market, which saw a 30% drop in new sales premium* in 2002 and a 35% reduction in lump-sum transfers between group retirement providers, Great-West was up year-over-year in both cash flow and transfers.

A market leader, Great-West's Group Retirement Services division gained more than 30% of all new plans in the Canadian group retirement market in 2002. This growth reflects the efforts of the Company's experienced group retirement specialists in 11 cities, the flexibility of the *Envision your retirement* product in meeting the needs of even small groups, and the distribution partnership with Investors Group, where sales through Investors Group consultants more than doubled.

During the year, the division worked with industry regulators to develop guidelines around best practices for group retirement clients. The Company's standards ideally position it to help ensure clients' compliance with regulations. The division launched a compliance management system, along with the first in a series of publications addressing clients' fiduciary responsibilities to plan members. A new fund manager report – customized for each client – also sets an industry standard. These tools, which enable plan sponsors to meet compliance and disclosure requirements, give Group Retirement Services a significant competitive advantage.

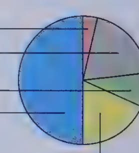
Current plan members also benefited from the introduction of a proprietary online retirement planning guide illustrating current client information and permitting the member to develop a plan for the future. In addition, a new third-party language service enables plan members to receive assistance via telephone in any of 140 languages.

In 2003, Group Retirement Services plans to work closely with Great-West's Group division to cross-sell group retirement and group insurance services. Group Retirement Services will also promote an asset retention product allowing group plan members to keep their investments with the Company after a plan member leaves the plan.

*source: LIMRA results at September 30, 2002.

Great-West Life & Annuity Insurance Company

Sources of revenue *($ billions)*



Despite a U.S. business environment that saw many well-known companies struggle and even fail, Lifeco's United States subsidiary, Great-West Life & Annuity Insurance Company, continues to demonstrate solid results.

A leader in nationwide, self-funded health plans, the Company's unique approach to funding provides an attractive option to employers looking for help in managing their healthcare costs. The Company's negotiated provider discounts, proven disease management programs, and variety of wellness initiatives all combine to make its healthcare plans especially appealing as costs continue to rise.

GWL&A maintained its premier market position in the public and non-profit financial services marketplace. The Company counts 13 of the 50 states among its defined contribution pension plan customers, and its exceptionally high retention rate on public/non-profit contract renewals is testimony to the quality of the products and service GWL&A provides its customers.

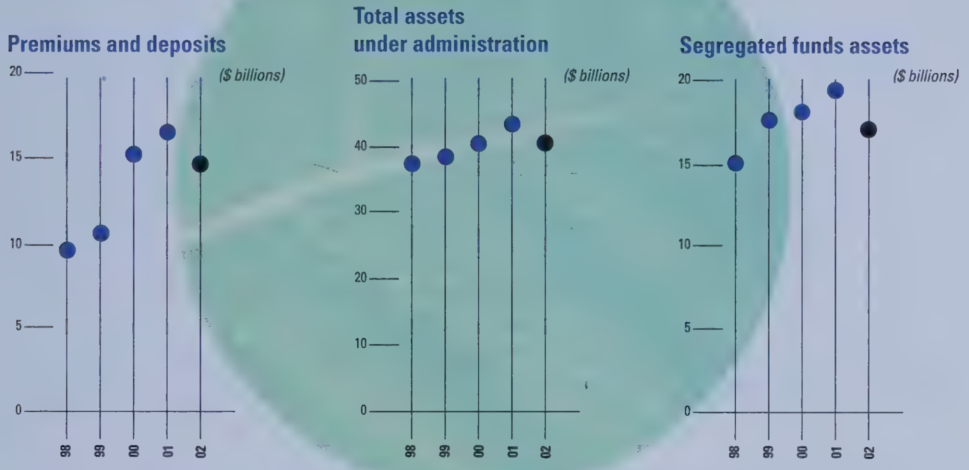
Several years ago, GWL&A identified a large market for high-value, low-cost life insurance and successfully introduced products tailored to bank customers. In 2002, sales increased, to more than 53,000 policies. GWL&A plans to continue to grow this line of business by expanding the number of large financial institutions offering its life insurance products.

This mix of health, defined contribution pension plans, and life insurance allows GWL&A to provide continually solid overall results year after year even when a particular business segment experiences economic and competitive challenges as the healthcare unit has this past year.

The U.S. economy, with low interest rates, weak stock markets, and growing unemployment rates, tested the Company as premiums and deposits decreased 11%. The Company took advantage of the slowing marketplace to streamline processes, further improve service, and cut expenses. These actions, in combination with its re-priced block of healthcare business, resulted in net income increasing 13% over 2001 and help position the Company for future sales growth.

GWL&A continues to be a leader in nationwide, self-funded health plans, that use unique funding methods to help employers manage healthcare costs.

Financial Highlights



Employee benefits

The Employee Benefits Division provides innovative healthcare programs to more than 5,000 mid-sized employers. These benefits include a range of plan designs and state-of-the-art cost and care management procedures, as well as comprehensive networks that help ensure quality care. The Company's proprietary provider network involves more than 345,000 physicians and 3,700 hospitals.

Employee Benefits continues to develop its strengths: choices in health plans with innovative care management tools built in to control costs, and traditional self-funding arrangements.

Healthcare management – specifically the Division's strong disease management program – is the underpinning of its medical offerings. Reinforcing that are complementary alternative care networks and discounts, managed mental health, maternity and neonatal interventions, and excellent pharmacy programs. In 2002, 60% of health plan members were participating in three-tier pharmacy programs that broaden members' choices and offer cost-savings opportunities. Also, the division introduced an online interactive wellness system and made it available to members of every health plan offered.

GWL&A's health plans had approximately 2.2 million life and health members at the end of 2002. The Company relies on extensive provider contracting and the efforts of its regional medical directors to make its networks competitive. These providers deliver the services members need nationwide. In addition, this year Employee Benefits introduced an online program that helps identify hospitals with superior outcomes for certain ailments – thus simplifying access to the right providers for members who need care. Such programs are imperatives for businesses today.

Employee Benefits works to ensure that members and employers alike have user-friendly technology at their fingertips. This year, the division increased claims payment efficiency and enhanced the value offered to clients from online billing and other Internet-enabled functions.

To help employers handle medical cost inflation, Employee Benefits draws on its expertise in medical cost management, product design, underwriting management, and dedicated provider contracting. Over the last three decades, the insurance industry has attempted to contain costs by managing the *supply* of healthcare through network discounts, pre-certification, and gatekeepers. The Company recognizes that overseeing supply is only half the equation – we must also manage *demand* if healthcare costs are to be sustainable for the long term.

It's that understanding that yielded the division's healthcare management program – the cornerstone of our medical offerings. It combines the strength of the Company's nursing staff with predictive risk programs that analyze medical and drug claims. When potential cases are identified early, the nursing team has the opportunity to educate and monitor these individuals with the goal of averting, or at least limiting, catastrophic health events and related expenses.

GWL&A's disease management program for members with diabetes, asthma, coronary heart disease and other chronic illnesses is the first of its kind to be included in every benefits plan offered, no matter what health plan type. The program is responsible for saving employers an average of US $1,455 per participating member – savings customers can use to help their benefits programs remain viable and affordable.

Health plan members are also part of the answer to rising healthcare costs. The Company gives employers the tools and services to engage them in demand management. This is helping return control to employers – giving them a complete program with customer care techniques applied at every point in the healthcare continuum. As well, the Company provides the education and support that helps employees make sound choices on behalf of their health, and the health of their Company's benefit plan.

It is GWL&A's commitment to serve as the best steward of clients' benefits dollars. The Company continues to develop its core strengths: health plans with built-in care management tools to control costs, and traditional self-funding arrangements. Those two attributes – employer control and savings-participation opportunities – are enduring values for the division. They represent the kind of solutions employers seek, and they are the foundation upon which the Company's customer-focused programs rest.

The Government Markets Group renewed approximately 85% of the plan sponsor relationships that were up for review in 2002.

Financial services

2002 was a year of strength for the Financial Services Division. The division has carved out a niche providing retirement savings and income plans for various public and non-profit organizations, and distributing life insurance through partnerships with banks and brokerages. The division expanded its relationships or participant base in all its major market groups – government organizations, healthcare organizations, educational institutions and major financial institutions.

Government markets

For 2002, the Government Markets Group faced two significant challenges, among the other economic and geopolitical factors affecting all financial markets. The primary focus was on renewing the large number of plan sponsor relationships that were up for review in 2002. The Group's efforts resulted in renewing approximately 85% of the plan sponsor relationships that were up for review. Major plan sponsor relationship renewals in 2002 included the County of Los Angeles, the City of Philadelphia, State of Florida, Ft. Worth Transit District, City of Virginia Beach, Municipality of Anchorage, and the Port of Seattle.

The second challenge was the very few new prospects coming to bid in the division's target market, with 2002 producing one of the smallest number of qualified large-case government prospects in the past seven years. Nonetheless, the division established new client relationships with State of Vermont, as well as the County of Orange, California which was implemented in early 2002.

The Company's overall position in the defined contribution market continues to be significant. In its annual ranking of record keepers, *Plan Sponsor Magazine* rated GWL&A as the 10th largest defined contribution recordkeeper in the country. Nearly half this business is attributable to the government market, making it the single largest market for GWL&A.

Healthcare markets

GWL&A is one of the few healthcare market providers today willing to enter into a true full disclosure relationship with plan partners to ensure their employees maximize their opportunities in their 403(b) / 401(k) / 457 plans. The Company's Partnership Plus approach has permitted it to maintain, and continue to develop, relationships with some of the country's largest healthcare systems.

Education markets

*EducatorsMoney*SM, a proprietary service of GWL&A, has created a vehicle to make it easy for educators to access no-load mutual funds through 403(b) and 457 voluntary retirement plans. *EducatorsMoney* has partnered with 19 new educational institutions with a business model that provides educators with a low-cost alternative to traditional, high expense ratio variable annuities sold by commissioned agents. In 2003, *EducatorsMoney* will continue to lead the transition of the education retirement market to a low-cost institutional model delivering a valuable benefit to our nation's educators.

Advised Assets GroupSM, LLC (AAG)

As a federally registered investment advisor, AAG provides objective investment information and advice for GWL&A's defined contribution plan sponsors and participants, helping them become more knowledgeable in their investment decisions. As of the end of 2002, AAG offers its online investment advisory services to more than 70 public/non-profit and private sector retirement plans, serving more than 65,000 participants.

Individual markets

By partnering with the leading U.S. banks, GWL&A provides a simple, convenient and affordable way for the broad middle market to purchase life insurance coverage. In 2002, the Company placed more than 53,000 policies through partnerships with prestigious financial institutions — Huntington, U.S. Bank, Fifth Third, Hirman Insurors (a consortium of credit unions), Citibank, SunTrust, TCF Bank, AmSouth, Affiliated Financial Services and Bank One. The Company continues to emerge as a leader in helping banks change the way traditional life insurance is provided to the middle market.

In addition, the Company maintained its partnership with Charles Schwab, offering fully underwritten life insurance and individual annuities, and with Internet product providers, Quotesmith and InsWeb.

The Company also increased its Corporate-Owned Life Insurance assets by $300 million last year.

To further meet the needs of America's corporate executives, GWL&A added a new retail mutual fund investment option to complement its variable universal life products. This new product helps round out the division's non-qualified executive benefits offering by consolidating life insurance and mutual fund options into one package.

Through partnerships with prestigious financial institutions, GWL&A is emerging as a leader in providing a simple, convenient and affordable way for the middle market to purchase life insurance.

FASCorp

FASCorp, a wholly-owned subsidiary of GWL&A, markets recordkeeping and administrative services to defined contribution plan sponsors through financial institutions. During 2002, FASCorp expanded its existing relationships with three different institutional partners, resulting in a significant increase in the volume of business from these partners. FASCorp continues to be one of the leading defined contribution services companies in the United States.

FASCorp is also experiencing increased interest in its services from other financial institutions seeking more cost effective solutions to their recordkeeping needs. The Company believes 2003 will bring high activity as many financial institutions evaluate the options of outsourcing defined contribution services after being faced with three consecutive years of declining revenues as a result of the stock market.

During 2002, FASCorp also implemented a number of service enhancements, including online forms for participants and plan sponsors; online benefit payment approvals for plan sponsors; online prospectuses for participants; electronic participant statements; and electronic consent management for participant services.

Changing investment options and funds on existing plans has been a difficult and challenging task for many recordkeeping companies. FASCorp has established a leadership position in plan takeover and asset conversions. A significant milestone was achieved in 2002 when $2 billion was mapped from over 5,000 401(k) plans for an institutional partner without participants being out of the market during a single business day.

During 2003, participants will be offered more ways to initiate transactions electronically and plan sponsors and third-party administrators will be offered new electronic interfaces to reduce the time and effort required to administer their plans. Offering cost effective, high quality services and systems are the keys to our financial institutional partner's success, participant account growth and plan sponsor satisfaction.

401(k)

2002 was a year of transition for GWL&A's corporate 401(k) business. By merging the previous 401(k) department with Financial Services, the Company reduced overhead, eliminated duplicate processes, and streamlined administration, allowing the Company to more effectively service customers. Due to this transition, sales results were lower than initially expected, however the Company is confident that these changes will lead to increased sales supported by a more efficient infrastructure.

In 2002, the Company also introduced a more disciplined fund evaluation/due diligence process for customers. This includes an objective fund selection and elimination method to ensure that customers offer a competitive fund array to their participants. In addition, the Company enhanced service by adding a focused plan support center, dedicated Client Relationship Managers, and a specialized 401(k) sales force.

With these changes in place, the Company expects to see increased sales and higher earnings for corporate 401(k) in 2003.

Management's Discussion and Analysis

Table of Contents

The Management's Discussion and Analysis (MD&A) presents management's view of the financial position and performance of Great-West Lifeco Inc. (Lifeco or the Company) in 2002 compared with 2001. The MD&A provides an overall discussion, followed by analyses of the performance of its two major subsidiaries, The Great-West Life Assurance Company (Great-West) and Great-West Life & Annuity Insurance Company (GWL&A).

Forward-looking Statements

This report may contain forward-looking statements about future operations, financial results, objectives and strategies of the Company. Forward-looking statements are typically identified by the words "believe", "expect", "anticipate", "intend", "estimate" and other similar expressions.

These statements are necessarily based on estimates and assumptions that are inherently subject to risks and uncertainties, many of which are beyond the Company's control. Actual results may differ materially due to a variety of factors, including legislative or regulatory developments, competition, technological change, global capital market activity, interest rates and general economic and political conditions in Canada, North America or internationally.

Readers are urged to consider these and other such factors carefully and not place undue emphasis on the Company's forward-looking statements.

Unless otherwise required by securities laws, the Company does not intend or have any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Businesses

In Canada, through Great-West and its major subsidiary London Life Insurance Company (London Life), and in the United States, through GWL&A, a wide range of life and health insurance, and retirement and investment products are sold to individuals, businesses and other private and public organizations. As well, as part of Canadian operations, Great-West offers reinsurance products in specific niche markets in the United States and Europe through its subsidiary, London Reinsurance Group Inc. (LRG).

Lifeco currently has no other holdings and carries on no business or activities unrelated to its holdings in Great-West, GWL&A and their subsidiaries. Lifeco is not restricted to investing in the shares of Great-West, GWL&A and their subsidiaries and may make other investments in the future.

Translation of United States Dollars

Throughout this report, United States dollar assets and liabilities are translated into Canadian dollars at the market rate at December 31 for the respective years. All income and expense items are translated at an average rate for the year. The rates employed are:

Years ended December 31	Balance Sheet	Operations
2002	$ 1.5800	$ 1.5700
2001	1.5930	1.5490
2000	1.5000	1.4853

The effective rate for the translation of GWL&A's net income reflects the translation of US dollar operations at the average daily rate for the period, together with realized gains and losses associated with forward foreign exchange contracts used to manage the translation volatility. For the year ended December 31, 2002, the effective rate was $1.5295 ($1.4862 for the year ended December 31, 2001).

2002 CONSOLIDATED OPERATING RESULTS

Selected Consolidated Financial Information *(in $ millions, except per common share amounts)*

	2002			2001			
	Canada	U.S.	Total	Canada	U.S.	Total	% Change
For the Years ended December 31							
Premiums:							
Life insurance, guaranteed annuities and insured health products	$ 4,276	$ 2,989	$ 7,265	$ 3,996	$ 3,026	$ 7,022	3%
Reinsurance & specialty general insurance	3,922	–	3,922	3,455	–	3,455	14%
Self-funded premium equivalents (ASO contracts) *(1)*	1,355	8,209	9,564	1,238	8,861	10,099	-5%
Segregated funds deposits: *(1)*							
Individual products	1,649	644	2,293	1,586	1,369	2,955	-22%
Group products	1,163	3,219	4,382	1,045	3,650	4,695	-7%
Total premiums and deposits	$ 12,365	$ 15,061	$ 27,426	$ 11,320	$ 16,906	$ 28,226	-3%
Fee and other income	420	1,387	1,807	391	1,467	1,858	-3%
Paid or credited to policyholders	8,978	3,615	12,593	8,308	3,722	12,030	5%
Net income attributable to:							
Preferred shareholders	31	–	31	30	1	31	–
Common shareholders	441	490	931	249	266	515	81%
2001 adjustments *(2)*							
Goodwill amortization	–	–	–	62	4	66	
Alta	–	–	–	–	165	165	
September 11, 2001	–	–	–	73	–	73	
Adjusted net income common shareholders *(2)*	441	490	931	384	435	819	14%
Per Common Share							
Basic earnings			$ 2.530			$ 1.387	82%
2001 adjustments *(2)*							
Goodwill amortization			–			0.177	
Alta			–			0.444	
September 11, 2001			–			0.199	
Adjusted basic earnings *(2)*			2.530			2.207	15%
Dividends paid			0.945			0.780	21%
Book value per common share			$ 11.68			$ 10.47	12%
Return on Common Shareholders' Equity							
Net income			22.9%			13.7%	
Adjusted net income *(2)*			–			20.8%	
At December 31							
Total assets	$ 36,010	$ 24,061	$ 60,071	$ 34,690	$ 24,469	$ 59,159	2%
Segregated funds assets *(1)*	18,504	17,544	36,048	19,093	19,774	38,867	-7%
Total assets under administration	$ 54,514	$ 41,605	$ 96,119	$ 53,783	$ 44,243	$ 98,026	-2%
Capital stock and surplus			$ 4,708			$ 4,397	7%

(1) Segregated funds deposits and self-funded premium equivalents (ASO contracts)
The financial statements of a life insurance company do not include the assets, liabilities, deposits and withdrawals of segregated funds or the claims payments related to administrative services only (ASO) Group health contracts. However, the Company does earn fee and other income related to these contracts.
Both segregated fund and ASO contracts are an important aspect of the overall business of the Company and should be considered when comparing volumes, size and trends.

(2) In addition to net income (Canadian GAAP basis), adjusted net income for 2001 is presented for information. 2001 results include:
(i) A charge of $66 after-tax or $0.177 per common share related to the amortization of goodwill. On January 1, 2002, the Company stopped amortizing goodwill in accordance with new Canadian Institute of Chartered Accountants standard 3062 Goodwill and Other Intangible Assets (see note 1 of the Company's 2002 financial statements).
(ii) A charge of $165 after-tax or $0.444 per common share related to Alta Health & Life Insurance Company (Alta), an indirect wholly-owned subsidiary and part of the Company's United States Employee Benefits segment.
(iii) A charge of $73 after-tax or $0.199 per common share from the events of September 11, 2001.
Return on common shareholders' equity is also presented excluding 2001 adjustments.

Quarterly Financial Information *(in $ millions, except per common share amounts)*

		Total Revenue	Net Income – Common Shareholders Total	Net Income – Common Shareholders Basic Per Share	Adjusted Net Income – Common Shareholders (1) Total	Adjusted Net Income – Common Shareholders (1) Basic Per Share
2002	Fourth quarter	$ 4,242	$ 235	$ 0.641	N/A	N/A
	Third quarter	4,429	240	0.653	N/A	N/A
	Second quarter	3,648	234	0.634	N/A	N/A
	First quarter	4,313	222	0.602	N/A	N/A
2001	Fourth quarter	$ 4,286	$ 189	$ 0.510	$ 208	$ 0.562
	Third quarter	3,922	124	0.334	213	0.576
	Second quarter	4,051	36	0.097	216	0.580
	First quarter	3,789	166	0.446	182	0.489

(1) Adjusted Net Income for 2001 is presented to enhance comparable results by excluding non-recurring items. During these periods, the following items were included in net income:

- *Amortization of Goodwill – Effective January 1, 2002, goodwill is no longer amortized.*
- *Alta Health & Life Insurance Company – Special charges of $133 plus related operating losses of $32 for a total of $165 or $0.444 per common share.*
- *Events of September 11, 2001 – A charge of $73 after-tax or $0.199 per common share from the events of September 11, 2001 related to the reinsurance business.*

		Amortization of Goodwill Net Income	Amortization of Goodwill Basic per share	Charges related to Alta Health & Life Insurance Company Net Income	Charges related to Alta Health & Life Insurance Company Basic per share	Events of September 11, 2001 Net Income	Events of September 11, 2001 Basic per share	Total Adjustments Net Income	Total Adjustments Basic per share
2001	Fourth quarter	$ 18	$ 0.048	$ 1	$ 0.004	$ –	$ –	$ 19	$ 0.052
	Third quarter	16	0.043	–	–	73	0.199	89	0.242
	Second quarter	16	0.043	164	0.440	–	–	180	0.483
	First quarter	16	0.043	–	–	–	–	16	0.043

Overview – 12 Months Ended December 31, 2002

In 2002, Lifeco continued to record solid growth in earnings from both its Canadian and United States operations, despite weak investment markets and declining consumer confidence. Earnings, return on common shareholders' equity, and shareholder dividends all increased, while the quality of the Company's invested assets remained high. Lifeco and its subsidiaries continue to receive superior ratings on claims paying ability and financial strength from the major rating agencies.

Management continues to believe the Company is well positioned for long term earnings growth.

Net Income

Lifeco's net income attributable to common shareholders was $931 million or $2.530 per common share for the twelve months ended December 31, 2002, compared to $1.387 per common share for 2001.

This result represents an increase of 15% in earnings per common share over 2001, after adjusting for non-recurring charges relating to goodwill amortization, Alta Health and Life Insurance Company (Alta), and the events of September 11, 2001 to facilitate comparison between years.

For the fourth quarter, net income attributable to common shareholders was $235 million or $0.641 per common share, compared to adjusted 2001 results of $208 million or $0.562 per common share.

Source of Net Income – Consolidated net earnings for Lifeco are the net operating earnings of Great-West in Canada and GWL&A in the United States, together with Lifeco's corporate results.

The following comparative figures for 2001 have been adjusted to exclude non-recurring charges related to goodwill, Alta, and the events of September 11, 2001.

Net Income Common Shareholders *(in $ millions)*

	2002	2001	% Change
Canadian Segment			
Great-West			
Total common shareholder earnings	$ 461	$ 258	
Portion of Lifeco Corporate earnings	(20)	(9)	
Total Canadian segment	441	249	77%
Goodwill amortization adjustment	–	62	
September 11, 2001 adjustment	–	73	
Total adjusted Canadian segment	441	384	15%
United States Segment			
GWL&A			
Total common shareholder earnings (US$)	$ 321	$ 186	
Foreign exchange translation	169	83	
Portion of Lifeco Corporate earnings	–	(3)	
Total U.S. segment	490	266	84%
Goodwill amortization adjustment	–	4	
Alta adjustment	–	165	
Total adjusted U.S. segment	490	435	13%
Total Lifeco (2001 adjusted basis)	$ 931	$ 819	14%

Canadian Segment – Canadian consolidated net earnings of Lifeco attributable to common shareholders for the twelve months ended December 31, 2002 increased 15% to $441 million from $384 million at December 31, 2001. For the fourth quarter, Canadian net income attributable to common shareholders increased to $116 million compared to $102 million at December 31, 2001.

For Canadian operations, the increase in net income in 2002 reflected growth in fee income, strong interest gains and favourable morbidity experience. The gain on sale of a subsidiary, a reduction in provisions for income taxes, and an increase in reinsurance actuarial reserves related to potential exposures were all recognized in 2002, however the net impact of these events was not material.

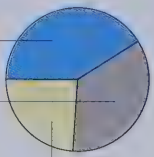
United States Segment – Lifeco's United States consolidated net earnings for twelve months of 2002 increased 13% to $490 million from $435 million a year ago. For the fourth quarter, United States net income increased to $119 million compared to $106 million at December 31, 2001.

GWL&A's twelve months net income attributable to common shareholders increased to US $321 million from US $294 million at December 31, 2001. For the fourth quarter, GWL&A's earnings were US $79 million compared to US $72 million a year ago.

The earnings result from United States operations was due to favourable morbidity, increased interest margins and expense management, partially offset by a decrease in fee income.

Premiums and Deposits

Overall, premiums and deposits decreased 3% from 2001. Within this result, traditional life and annuity premiums were up 3%, reinsurance up 14%, and fee-based products down 9%. The decrease in fee-based product revenue, associated with the United States segment, reflects lower interest-sensitive product sales, as well as lower membership levels for Group administrative services only (ASO) products.



2001 figures are shown in brackets

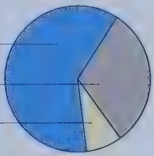
At December 31, 2002, 59% of premium revenue is from fee-based products (63% in 2001), rather than the traditional risk-based contracts.

In Canada, fee-based products account for 34% of premium revenue: 23% segregated funds and 11% ASO business.

In the United States, fee-based products account for 80% of premium revenue: 25% segregated funds and 55% ASO business.

Fee and Other Income

Fee income was down overall 3% from 2001 (up 7% in Canada and down 5% in the United States), due mainly to the increase in segregated funds fees in Canada and the decrease in ASO membership levels in the United States.



Group health ASO contracts **61%** (63%)

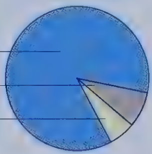
Segregated funds **31%** (30%)

Other fee income **8%** (7%)

2001 figures are shown in brackets

Paid or Credited to Policyholders – Total

The amount paid or credited to policyholders increased 5% from 2001 levels, however that amount only includes guaranteed contracts and does not include benefit payments related to ASO or segregated funds products.



Policyholder benefits **86%** (82%)

Policyholder dividends and experience refunds **8%** (9%)

Increase in actuarial liabilities **6%** (9%)

2001 figures are shown in brackets

Financial Position

Total Assets Under Administration

Total assets under administration decreased 2% or $1.9 billion in 2002, to $96.1 billion.

General fund assets increased 2% overall, while segregated funds assets decreased 7%. In Canada, general fund assets increased 4%, while segregated funds assets decreased 3%, reflecting the market conditions during the period.

In the United States, general fund assets were essentially unchanged from 2001 levels in U.S. currency, and on a translated Canadian dollar basis, decreased 2%. Segregated funds were down 11% in U.S. currency, and also down 11% after translation to Canadian dollars, compared to the previous year.

Asset Quality – General Fund Assets

At December 31, 2002, exposure to mortgage loans and real estate was 17% of invested assets, a decrease of 2% from the end of 2001.

The Company's exposure to non-investment grade bonds was 2.6% of the portfolio at the end of 2002, up slightly from 2.0% at December 31, 2001.

Non-performing investments, including bonds in default, mortgages in the process of foreclosure or in arrears 90 days or more, and real estate acquired by foreclosure, totaled $139 million or 0.3% of portfolio investments at December 31, 2002, compared with $187 million or 0.4% a year earlier. The Company's allowance for credit losses at December 31, 2002 was $166 million, compared with $146 million at year-end 2001.

Additional provisions for future credit losses on assets backing actuarial liabilities are included in actuarial liabilities and amounted to $440 million at December 31, 2002 ($423 million at December 31, 2001).

The combination of the allowance for credit losses of $166 million, together with the $440 million provision for future credit losses in actuarial liabilities represents 1.4% of bond, mortgage and real estate assets at December 31, 2002 (1.3% at December 31, 2001).

Asset Distribution *(in $ millions)*

December 31	2002		2001	
Government bonds	$ 12,999	25%	$ 11,136	22%
Corporate bonds	20,765	41	21,445	42
Mortgages	7,850	15	8,369	17
Stocks	1,581	3	1,379	3
Real estate	1,267	2	1,272	2
Sub-total portfolio investments	44,462		43,601	
Cash & certificates of deposit	912	2	837	2
Policy loans	6,177	12	6,213	12
Total invested assets	$ 51,551	100%	$ 50,651	100%

Policy Liabilities

Reference is made to note 5 of the Lifeco financial statements, Actuarial Liabilities, which presents the composition, nature, changes, assumptions and risk management issues associated with this significant balance sheet item.

Actuarial liabilities represent the amounts which, together with estimated future premiums and investment income, will be sufficient to pay estimated future benefits, dividends, and expenses on policies in force. Actuarial liabilities are determined using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries.

Asset and liability cash flows are carefully matched to minimize the financial effects of a shift in interest rates. This practice has been in effect for several years and has shielded the Company's financial position from past significant interest rate volatility.

Commercial Paper and Other Loans

As described in note 6 to the financial statements, the Company now has $400 million of debentures issued in Canada, and $276 million of capital securities issued in the United States through its subsidiary, GWL&A.

Capital Stock and Surplus

During 2002, the Company paid dividends of $0.945 per common share for a total of $348 million and preferred share dividends of $31 million. This represents an increase in common share dividends paid of 21%, compared to 2001.

On December 20, 2002, through Great-West Life Capital Trust, a trust controlled by Great-West, the Trust issued $350 million of non-voting Great-West Life Trust Securities (GREATs), which are described more fully in note 7 of the Company's financial statements.

On December 31, 2002, the Company redeemed all 4,000,000 of its outstanding Non-Cumulative First Preferred Shares, Series B, for the cash redemption price of $25.00 per share. As well, on December 31, 2002, one of its subsidiary companies, London Insurance Group Inc. (LIG) redeemed all 5,000,000 of its Class 1 Preferred Shares, Series D, for the cash redemption price of $25.00 per share. LIG also redeemed all 5,000,000 of its Class 1 Preferred Shares, Series E on December 31, 2002, for the cash redemption price of $25.00 per share.

In November 2002, the Company announced a further normal course issuer bid commencing December 1, 2002 and terminating November 30, 2003. During the course of this bid, the Company may purchase up to but not more than 6,000,000 common shares for cancellation.

In 2002, through the normal course issuer bid process, 4,720,800 common shares were purchased for cancellation at a cost of $169 million or $35.76 per share.

These activities, coupled with the strong earnings from Canadian and U.S. operations, resulted in capital and surplus increasing 7% to $4.7 billion.

Financial Strength

The Office of the Superintendent of Financial Institutions Canada (OSFI) has specified a capital measurement basis for life insurance companies operating in Canada, known as the Minimum Continuing Capital and Surplus Requirements (MCCSR). Great-West's ratio of available capital to MCCSR at the end of 2002 was 223% (199% at the end of 2001). London Life's MCCSR ratio at the end of 2002 was 228% (208% at the end of 2001).

GWL&A is subject to comprehensive state and federal regulation and supervision throughout the United States. The National Association of Insurance Commissioners has adopted risk-based capital rules and other financial ratios for U.S. life insurance companies. Based on statutory financial reports, Great-West has regulatory capital and GWL&A has risk-based capital well in excess of that required by regulation.

Changes to the credit ratings of the Company and its principal subsidiaries during the year were as follows:

On August 28, 2002, Moody's Investors Service changed the outlook to stable from negative for its Aa2 insurance financial strength rating for Lifeco, Great-West, London Life and GWL&A. The outlook change was the result of Moody's review of the Company's September 11th-related emerging reinsurance claims experience and expected future claims relative to original estimates made by the Company.

On September 19, 2002, Fitch Ratings Inc. lowered its ratings for Lifeco, Great-West, London Life and GWL&A. Insurer financial strength ratings were lowered to AA+ (stable) from AAA (stable), and long-term issuer ratings were lowered to AA- (stable) from AA (stable). The ratings adjustment was part of a comprehensive industry review of all North American life insurance company ratings. The particular adjustment for Lifeco, Great-West, London Life and GWL&A was driven by Fitch's newly enhanced criteria for AAA insurer financial strength ratings. The AA+ financial strength rating assigned by Fitch represents the second highest rating available.

On October 4, 2002, Standard & Poor's (S&P) changed the outlook to negative from stable for its counterparty credit ratings for Lifeco, Great-West, London Life and GWL&A. The outlook change reflected concern over the potential for adverse change to revenue and earnings growth in the Company's U.S. employee benefits and retirement services segments due to intense competition, soft global equity markets and continuing weakness in the U.S. economy.

Ratings of Major Subsidiaries

Rating Agency	Measurement	Lifeco	Great-West	London Life	GWL&A
A.M. Best Company	Financial Condition and Operating Performance		A++*	A++*	A++*
Dominion Bond Rating Service	Claims Paying Ability		IC-1*	IC-1*	
	Debt Rating	AA (low)			
Fitch Ratings Inc.	Insurer Financial Strength		AA+	AA+	AA+
Moody's Investors Service	Insurance Financial Strength		Aa2	Aa2	Aa2
Standard & Poor's Corporation	Insurer Financial Strength		AA+	AA+	AA+
	Debt Rating	AA-			

** Highest rating available*

Cash Flows

December 31 *(in $ millions)*	2002	2001
Cash flows relating to the following activities:		
Operations	$ 1,394	$ 1,700
Financing	(595)	(521)
Investment	(724)	(1,082)
Increase in cash & certificates of deposit	75	97
Cash & certificates of deposit, beginning of year	837	740
Cash & certificates of deposit, end of year	$ 912	$ 837

The cash flows from operations of $1.4 billion for the twelve month period, less cash flows used for financing activities including dividends and purchase of common shares through the normal course issuer bid, were deployed in assets held for investments.

The decrease in cash flows from operations of $306 million in 2002 compared to 2001, stems from a combination of higher cash flows in Canada on lower income tax installment payments, and higher premium income. Offsetting this increase were lower premiums and higher withdrawal payments in the 401(k) operations in the United States. In comparison, 2001 had significant increases in cash flow from the 401(k) segment. Financing activities consumed an additional $74 million in 2002 primarily due to increased common dividends and repayment of commercial paper. Investment activities provided an additional $358 million of cash flows in 2002 primarily from bond sales.

Cash flows from investment activities in 2002 includes $72 million gross proceeds from the sale of London Guarantee Insurance Company (London Guarantee) in the first quarter.

Risk Management and Control Practices

Risks Associated with Policy Liabilities

Insurance companies are in the business of assuming and managing risk. Depending on the product being offered, the risks vary. Products are priced for target levels of return, and as experience unfolds pricing assumptions are validated and profit emerges in each accounting period. Policy liabilities reflect reasonable expectations about future risk events, together with a margin. Although pricing on some products is guaranteed throughout the life of the contract, policy liability valuation requires updated assumptions to reflect emerging experience results. In this way, the balance sheet reflects the current outlook for policyholder obligations.

The significant risks and related monitoring and control practices of Lifeco's operating companies are:

Mortality and Morbidity Risk – Many products provide benefits in the event of death. Benefits due to disabling conditions and medical or dental costs are also important product features. Research and analysis is continuously ongoing to provide the basis for pricing and valuation assumptions which properly reflect the markets where the Company is active.

Persistency (Policy Termination) Risk – Products are priced and valued to reflect the expected duration of contracts. This risk is important for expense recovery (higher costs are incurred in early contract years) and for long-term level premium products where costs increase by age and pricing assumes that some policyholders will discontinue their coverage. Annual research studies support pricing and valuation assumptions for this persistency risk.

Investment Yield Risk – Products are priced and valued based on the investment returns available on assets which back up the policy liabilities. Effective and continual communication between pricing, valuation and investment management is required to control this risk. Investment policies have been approved by the Boards of Directors of each operating company. These policies provide guidance on the mix of assets allowable for each product segment. Yield rates are derived from the actual mix of assets put in place. Products with longer term cash flows and pricing guarantees carry more risk. Both pricing and valuation react to this risk by requiring higher margins where there is less yield certainty.

Reinsurance Risk – Products with mortality and morbidity risks have specific limits of Company retention approved by the Boards of Directors on the recommendation of the Actuary. These limits are reviewed and updated from time to time. The Company also takes advantage of financial risk transfer through reinsurance to enhance earnings. Companies providing reinsurance are reviewed for financial soundness as part of the ongoing monitoring process.

For additional information on these risks, refer to note 5(d), 5(e), and 5(f) of the Lifeco financial statements.

Risks Associated with Invested Assets

The Company acquires and manages portfolios of assets to produce risk-adjusted returns in support of policyholder obligations and corporate profitability.

The Boards of Directors or the Executive Committees and the Investment and Credit Committees of the Boards of Directors annually approve Investment & Lending Policies, as well as Investment Procedures and Guidelines. A comprehensive report on compliance with these policies and guidelines is presented to the Boards of Directors or Investment and Credit Committees annually, and the Internal Audit department conducts an independent review of compliance with investment policies, procedures and guidelines on a periodic basis.

The significant risks associated with invested assets that the Company manages, monitors and controls are outlined below.

Interest Rate Risk – Great-West – Interest rate risk exists if asset and liability cash flows are not closely matched and interest rates change.

For asset/liability management purposes, the general funds are divided into segments. Assets in each segment are managed in relation to the liabilities in the segment. The risks associated with the mismatch in portfolio duration and cash flow, asset prepayment exposure and the pace of asset acquisition are quantified and reviewed regularly.

Derivative products are used only to hedge imbalances in asset and liability positions; they are not used for speculative purposes. Derivative products are traded with counter-parties approved by the Board of Directors or the Investment and Credit Committee of the Board of Directors. They may include interest rate, foreign exchange and equity swaps, options, futures and forward contracts.

Interest Rate Risk – GWL&A – Interest rate risk is managed by investing in assets that are suitable for the products sold. For products with fixed and highly predictable benefit payments, such as certificate annuities and payout annuities, investments are made in fixed income assets that closely match the liability product cash flows. Protection against interest rate change is achieved as any change in the fair market value of the assets will be offset by a similar change in the fair market value of the liabilities. For products with uncertain timing of benefit payments, such as portfolio annuities and life insurance, investments are made in fixed income assets with cash flows of shorter duration than the anticipated timing of the benefit payments. This enables the Company to react to changing interest rates as these assets mature for reinvestment.

Credit Risk – It is Company policy to acquire only investment-grade assets and minimize undue concentration of assets in any single geographic area, industry and company. Guidelines specify minimum and maximum limits for each asset class.

Credit ratings for bonds are determined by recognized external credit rating agencies and/or internal credit review. These portfolios are monitored continuously and reviewed regularly with the Boards of Directors or the Investment and Credit Committees of the Boards of Directors.

Off-balance sheet credit risk is evaluated quarterly on a current exposure method, using practices that are at least as conservative as those recommended by regulators.

Liquidity Risk – The Company closely manages operating liquidity through cash flow matching of assets and liabilities and has approximately $30 billion in highly marketable securities.

Foreign Exchange Risk – Investments are normally made in the same currency as the liability. Any foreign currency assets acquired to back liabilities are converted using foreign exchange contracts.

Other Risks – The Company has established specific policy guidelines and monitoring procedures related to environmental risk management in the investment portfolios.

Derivative Instruments – The Company's risk management process governing the use of derivative instruments, includes:

- The Company acts only as an end-user of derivative products, not as a market maker.
- The Company has strict operating policies which
  - prohibit the use of derivative products for speculative purposes,
  - permit transactions only with approved counterparties,
  - specify limits on concentration of risk,
  - document approval and issuer limits, and
  - document the required reporting and monitoring systems.

The Company's outstanding derivative products at December 31 and the related exposures are described in note 14 of the Lifeco financial statements.

Holding Company Structure

As a holding company, Lifeco's ability to pay interest and other operating expenses and dividends and to meet its obligations generally depends upon receipt of sufficient funds from its principal subsidiaries.

The payment of interest and dividends by the principal subsidiaries is subject to restrictions set forth in relevant insurance and corporate laws and regulations which require that solvency and capital standards be maintained by Great-West, London Life and GWL&A.

Changes in Accounting Policies

As disclosed in note 1 to the Lifeco financial statements, three new standards were adopted as at January 1, 2002:

- Foreign Currency Translation
- Business Combinations, Goodwill and Other Intangible Assets
- Stock-Based Compensation and Other Stock-Based Payments.

Other than the elimination of goodwill charges from the Summary of Consolidated Operations and reclassifications on the Consolidated Balance Sheet, associated with the new Business Combinations, Goodwill and Other Intangible Assets standard, there is no material effect of these new policies on the financial statements for the year ended December 31, 2002.

Also disclosed in note 1 to the Lifeco financial statements is the adoption as at July 1, 2002 of the OSFI revised rates used to calculate the moving average market value adjustment for stocks and real estate. The change in accounting estimate does not have a material effect on the financial statements of the Company.

Recent Accounting Pronouncements

In 2002, the Canadian Institute of Chartered Accountants indicated that several changes to Canadian GAAP were in process, including:

- Disclosure of Guarantees
- Hedging Relationships
- Stock-Based Compensation and Other Stock-Based Payments.

It is not anticipated that any of these future changes will have a material impact on the financial statements of the Company. In particular, the impact of the proposed Stock-Based Compensation change, requiring expensing of stock options, is disclosed in note 9 of the Company's financial statements.

Outlook

In 2003, the Company expects the Canadian economy to grow at a slower pace than in 2002, and the U.S. economy to continue to be sluggish. The Company believes the diversification and high quality of the investment portfolios of its subsidiaries position them well in this investment environment.

The Company's subsidiaries remain tightly focused on their core markets and have plans in place to capitalize on emerging opportunities and to heighten competitiveness. The Company believes these plans will continue to position its subsidiaries for long term growth.

CANADA – 2002 OPERATING RESULTS

The Canadian operating results for Lifeco are the net operating income of Great-West, together with an allocation to Canada of a portion of Lifeco's corporate results.

Financial Information – Canadian Operations

Consolidated Operations *(in $ millions)*

Years ended December 31	2002 Shareholder	2002 Participating Policyholder	2002 Total	2001 Shareholder	2001 Participating Policyholder	2001 Total	% Change
Income:							
Premium income *(1)*	$ 6,821	$ 1,377	$ 8,198	$ 6,125	$ 1,326	$ 7,451	10%
Net investment income	1,240	909	2,149	1,326	926	2,252	-5%
Fee and other income	420	–	420	391	–	391	7%
Total income	8,481	2,286	10,767	7,842	2,252	10,094	7%
Benefits and Expenses:							
Paid or credited to policyholders	6,984	1,994	8,978	6,465	1,843	8,308	8%
Other	841	256	1,097	860	275	1,135	-3%
Net operating income before income taxes	656	36	692	517	134	651	6%
Income taxes	160	36	196	152	116	268	-27%
Net income before non-controlling interests	496	–	496	365	18	383	30%
Non-controlling interests	24	–	24	24	18	42	-43%
Net income before goodwill amortization	472	–	472	341	–	341	38%
Amortization of goodwill	–	–	–	62	–	62	–
Net income	$ 472	$ –	$ 472	$ 279	$ –	$ 279	69%
Summary of Net Income							
Preferred shareholder dividends	$ 31	$ –	$ 31	$ 30	$ –	$ 30	3%
Net income – common shareholders	441	–	441	249	–	249	77%
Net income	$ 472	$ –	$ 472	$ 279	$ –	$ 279	69%
(1) excludes – segregated funds deposits	$ 2,812	$ -	$ 2,812	$ 2,631	$ -	$ 2,631	7%
– self-funded premium equivalents (ASO)	$ 1,355	$ -	$ 1,355	$ 1,238	$ -	$ 1,238	9%

The financial statements of a life insurance company do not include the assets, liabilities, deposits and withdrawals of segregated funds or the claims payments related to administrative services only (ASO) Group health contracts. However, the Company does earn fee and other income related to these contracts.

Segregated fund business is an option offered under an insurance annuity contract, where the benefit amount is directly linked to the market value of the investments held in the particular segregated account. The contractual arrangements are such that the segregated fund contract holder bears the risks and rewards of the account's investment performance apart from death and maturity benefit guarantees. ASO Group health contractual agreements are those where the Company provides administrative and claim paying services for clients, and under these arrangements, the client bears some or all of the claim risk. The self-funded premium equivalents generally represent claims paid under these contracts which approximate the additional premiums that would have been earned if these contracts had been written as traditional risk programs.

Reference is made to note 18 of the Lifeco financial statements, Segmented Information, for the presentation of Great-West.

Net Income

Net income from Canadian operations for 2002 was $472 million, compared to $279 million for 2001. Net income attributable to common shareholders was $441 million, up from $249 million for 2001. After adjusting 2001 for goodwill amortization charges of $62 million and charges related to the events of September 11, 2001, net income in 2002 increased 15%.

All following 2001 comparative figures have been adjusted to exclude goodwill amortization and charges relating to the events of September 11, 2001.

Net Income Attributable to Common Shareholders

(in $ millions)

Years ended December 31	2002	2001	% Change
Group Insurance	$ 125	$ 105	19%
Individual Insurance & Investment Products	212	175	21%
Reinsurance & Specialty General Insurance	29	41	-29%
Corporate	75	63	19%
	$ 441	$ 384	15%

The positive earnings results for the twelve months ended December 31, 2002 compared to a year ago, were due to a combination of significant improvement in healthcare and long term disability results, increased fee income, decreased expense levels, and favourable mortality experience.

In terms of major business units:

Group Insurance – The increase in shareholder net income is attributable to favourable healthcare and dentalcare results in both small/mid-size and large case markets, and improved results from long-term disability experience due to better than expected incidence rates and pricing improvements.

Individual Insurance & Investment Products – The higher results stem from lower expenses, higher fee income, and favourable morbidity experience.

Reinsurance & Specialty General Insurance – Net income decreased from 2001, reflecting a third quarter addition to the Adverse Development Reserve of $46 million ($41 million in the shareholder account and $5 million in the participating policyholder account) related to potential exposures to future reinsurance risks, the first quarter gain of $31 million on the sale of London Guarantee, and unfavourable fourth quarter reinsurance experience in the property and casualty and life markets.

Corporate – The increase in net income is attributable to a reduction in provisions for income taxes in the third quarter of $50 million ($41 million in the shareholder account and $9 million in the participating policyholder account) arising from the completion of tax audits. This increase in net income was partially offset by a strengthening of credit loss provisions related to technology holdings and lower investment income.

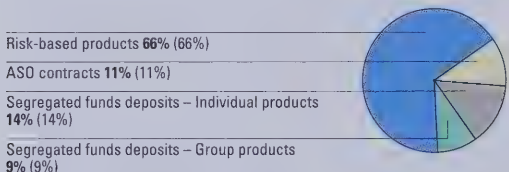
Premiums and Deposits

Years ended December 31 *(in $ millions)*	Premiums and Deposits			Sales(1)		
	2002	2001	% Change	**2002**	2001	% Change
Business/Product						
Group Insurance						
Small/mid-sized case	$ 1,201	$ 1,078	11%	$ 185	$ 168	10%
Large case	2,374	2,186	9%	134	137	-2%
Individual Insurance						
Life Insurance – Participating	1,377	1,326	4%	67	53	26%
– Non-participating	278	279	–	41	43	-5%
Living Benefits	127	118	8%	24	22	9%
Retirement & Investment Services						
Individual products	1,771	1,692	5%	2,382	2,366	1%
Group products	1,315	1,186	11%	610	529	15%
Reinsurance & Specialty General Insurance	3,922	3,455	14%	3,922	3,455	14%
	$ 12,365	$ 11,320	9%	$ 7,365	$ 6,773	9%
Summary by Type						
Risk-based products	$ 8,198	$ 7,451	10%			
ASO contracts	1,355	1,238	9%			
Segregated funds deposits:						
– Individual products	1,649	1,586	4%			
– Group products	1,163	1,045	11%			
Total premiums and deposits	$ 12,365	$ 11,320	9%			

(1) *Excludes Quadrus distributed mutual funds.*

Total premiums and deposits were up 9% overall from 2001 levels. Risk-based product premiums increased 10%, while self-funded premium equivalents (ASO contracts) were up 9%. Deposits to individual segregated funds increased 4% and deposits to group accounts were up 11% reflecting uneven incidence of large case sales by year.

Within guaranteed or traditional risk premium income, all lines of group insurance, individual insurance and living benefits reflect increases from 2001. Reinsurance and specialty general insurance premiums increased 14% related to life insurance lines. This segment of business can reflect significant revenue increases or decreases depending on the structure of the contract and often is not directly related to profitability.



2001 figures are shown in brackets

Total sales increased 9% from 2001 levels. Reinsurance & Specialty General Insurance increased 14% as a result of large case sales. Group insurance sales were 5% ahead of 2001, reflecting strong sales growth in the insured markets offset by lower ASO sales. Individual insurance sales were ahead of 2001, primarily in participating whole life and wealth management products. Living Benefits results reflect increases in its illness products. Both individual and group retirement and investment services increased overall from 2001 levels with mixed results in sub-lines.

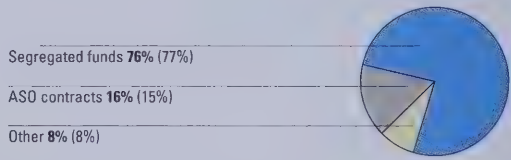
Net Investment Income *(in $ millions)*

Years ended December 31	2002	2001	% Change
Investment income earned	$ 2,027	$ 2,076	-2%
Amortization of gains and losses	179	194	-8%
Provision for credit losses	(42)	(4)	–
Gross investment income	2,164	2,266	-5%
Less: Investment expenses	15	14	7%
Net investment income	$ 2,149	$ 2,252	-5%

Net investment income for 2002, representing the investment revenues from general fund assets decreased $103 million or 5% from 2001. The decrease in investment income is primarily attributable to continued declines in interest rates affecting the Company's fixed-income portfolios, substantially offset by corresponding changes in the cost of liabilities. Other contributing factors were increases in loan loss provisions and the weak performance of equity markets. The decrease in investment income due to these factors was somewhat offset by a gain on the sale of one of the Company's subsidiaries, London Guarantee.

Fee Income *(in $ millions)*

Years ended December 31	2002	2001	% Change
Segregated funds	$ 318	$ 300	6%
ASO contracts	69	61	13%
Other	33	30	10%
	$ 420	$ 391	7%



2001 figures are shown in brackets

Fee income is derived from the management of segregated funds assets and the provision of group health ASO business, as well as third party asset management. The increase in fee income in 2002 of 7% compared to 2001, is mainly due to increases in individual segregated fund related fee revenue of $18 million and ASO contract fees of $8 million. Other fee income includes fees on increased Quadrus sales, as well as increased asset management fees.

Paid or Credited to Policyholders

This amount includes increases in policy liabilities, claims, surrenders, annuity and maturity payments, dividend and experience refund payments for guaranteed products, but does not include payment amounts for fee-based products (ASO contracts and segregated funds).

In aggregate, $9.0 billion was paid or credited to policyholders in 2002, an increase of 8% compared to 2001. Policyholder dividends credited in 2002 were $608 million, compared to $584 million in 2001. Most of the components of paid or credited to policyholders, which include death benefits, medical, dentalcare, visioncare and healthcare costs, increased when compared to 2001, reflecting the growth in premiums associated with these products. A large increase in benefits was recorded in the reinsurance and specialty general insurance line of business, which is largely offset by the significant increase in premiums in this same line.

Other

Included in other benefits and expenses are operating expenses and commissions, as well as premium taxes.

Other *(in $ millions)*

Years ended December 31	2002	2001	% Change
Total expenses	$ 625	$ 683	-8%
Less: Investment expenses	15	14	7%
Operating expenses	610	669	-9%
Commissions	427	400	7%
Premium taxes	60	66	-9%
Total	$ 1,097	$ 1,135	-3%

Operating expenses for 2002 are lower than 2001 levels by 9% or $59 million. 2001 operating expenses include a one-time charge related to the Participating Policyholder settlement agreement of $20 million and approximately $28 million of operating expenses for London Guarantee (sold in early 2002).

Premium taxes for both 2002 and 2001 reflect favourable adjustments related to CompCorp. In 2001, a pre-tax refund of $7 million was distributed to the Company by CompCorp, and during 2002, provisions for future assessments were reduced $15 million.

Income Taxes

The Company's overall effective income tax rate decreased from the prior year from 40.2% to 30.2%. As reported in note 13 of the Company's financial statements, the reduction in rate includes the impact of a reduction of provisions in the Canadian segment for income taxes and an increase to net income attributable to common shareholders of $41 million due to favourable tax experience arising from the completion of tax audits, as well as reductions resulting from a comprehensive review of overall income tax provisions.

Consolidated Balance Sheet – Canadian Operations *(in $ millions)*

December 31	2002 Shareholder	2002 Participating Policyholder	2002 Total	2001 Shareholder	2001 Participating Policyholder	2001 Total
Assets						
Invested assets	$ 14,897	$ 13,974	$ 28,871	$ 14,549	$ 13,257	$ 27,806
Goodwill and intangible assets	1,621	–	1,621	1,538	–	1,538
Other general fund assets	5,103	415	5,518	4,829	517	5,346
Total assets	$ 21,621	$ 14,389	$ 36,010	$ 20,916	$ 13,774	$ 34,690
Segregated funds assets			18,504			19,093
Total assets under administration			$ 54,514			$ 53,783
Liabilities, Capital Stock and Surplus						
Policy liabilities	$ 16,283	$ 12,606	$ 28,889	$ 16,085	$ 11,835	$ 27,920
Net deferred gains on portfolio investments sold	427	387	814	473	445	918
Other general fund liabilities	1,992	150	2,142	1,635	248	1,883
Total liabilities	18,702	13,143	31,845	18,193	12,528	30,721
Non-controlling interests	561	1,246	1,807	469	1,246	1,715
Capital stock and surplus	2,358	–	2,358	2,254	–	2,254
Total liabilities, capital stock and surplus	$ 21,621	$ 14,389	$ 36,010	$ 20,916	$ 13,774	$ 34,690

Assets

Total assets under administration increased to $54.5 billion, up from $53.8 billion a year ago. Segregated funds assets decreased $589 million and general fund assets increased by $1.3 billion. Growth in general fund assets includes $615 million in the Participating Policyholder Account, and $705 million in the Shareholder Account. General fund assets include invested assets of $28.9 billion, up 4% from $27.8 billion at December 31, 2001. In aggregate, goodwill and intangible assets of $1.6 billion and other general fund assets of $5.5 billion were up 3% from a year ago.

Invested Assets

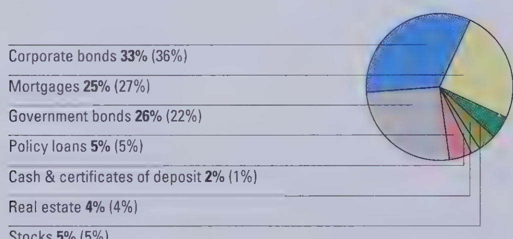
The Investment Division manages the general fund assets of Great-West and London Life which support the cash flow, liquidity and profitability requirements of the Company's insurance and investment products. Great-West and London Life follow prudent and conservative investment policies, so

that assets are not unduly exposed to concentration, credit or market risks. The Investment Division implements strategies within the overall framework of the Company's policies, reviewing and adjusting them on an ongoing basis in light of liability cash flows and capital market conditions.

The majority of investments of the general fund are in medium-term and long-term fixed-income investments, primarily bonds and mortgages, reflecting the characteristics of the Company's liabilities.

Asset Distribution *(in $ millions)*

December 31	2002		2001	
Government bonds	$ 7,721	26%	$ 6,124	22%
Corporate bonds	9,393	33	10,144	36
Mortgages	7,190	25	7,392	27
Stocks	1,414	5	1,252	5
Real estate	1,080	4	1,072	4
Sub-total portfolio investments	26,798		25,984	
Cash & certificates of deposit	579	2	389	1
Policy loans	1,494	5	1,433	5
Total invested assets	$ 28,871	100%	$ 27,806	100%



2001 figures are shown in brackets

Asset Quality

At December 31, 2002, exposure to mortgage loans and real estate was 29% of invested assets, a decrease of 2% from December 31, 2001.

The Company's exposure to non-investment grade bonds was $367 million or 2.2% of the portfolio at December 31, 2002, up from $227 million or 1.4% of the portfolio at December 31, 2001.

Non-performing investments, including bonds in default, mortgages in the process of foreclosure or in arrears 90 days or more, and real estate acquired by foreclosure, totaled $93 million or 0.35% of portfolio investments at December 31, 2002, compared with $49 million or 0.19% at December 31, 2001.

Bond Portfolio

The total bond portfolio increased to $17.1 billion or 59% of invested assets at December 31, 2002, from $16.3 billion or 58% of invested assets at December 31, 2001. Federal, provincial and other government securities represented 45% of the bond portfolio, up from 38% in 2001. The overall quality of the bond portfolio remained high, with 98% of the portfolio rated investment grade and 87% rated A or higher.

Bond Portfolio Quality *(excludes $706 short-term investments, $485 in 2001) (in $ millions)*

December 31	2002		2001	
Estimated Rating				
AAA	$ 6,599	40%	$ 5,575	35%
AA	2,445	15	2,444	16
A	5,183	32	5,316	34
BBB	1,814	11	2,221	14
BB or lower	367	2	227	1
Total	$ 16,408	100%	$ 15,783	100%

The Company's allowance for credit losses at December 31, 2002, for non-performing assets and non-investment grade bonds, was $78 million, up from $46 million at year-end 2001. The Company strengthened its loan loss provisions during 2002 to reflect rating downgrades in its bond portfolio, primarily in the Telecommunications, Media and Information Technologies (TMT) sectors. Total exposure to TMT for Canadian operations is $811 million ($1 billion in 2001), of which 59% are rated "A" or higher, 15% are rated "BBB" and 26% or $213 million ($175 million net of specific provisions held) are non-investment grade. Notwithstanding the exposure to these sectors, the Company maintains a high quality, well-diversified portfolio of investments. Additional provisions for future credit losses on assets backing liabilities are included in actuarial liabilities and amount to $406 million at December 31, 2002 ($374 million at December 31, 2001).

Non-Performing Loans *(in $ millions)*

December 31	2002			2001		
Asset Class	**Bonds**	**Mortgages**	**Total**	Bonds	Mortgages	Total
Non-performing loans	$ 86	$ 7	$ 93	$ 39	$ 10	$ 49

Allowances for Credit Losses *(in $ millions)*

December 31	2002			2001		
	Specific Provisions	**General Provisions**	**Total**	Specific Provisions	General Provisions	Total
Bonds and mortgage loans	$ 60	$ 18	$ 78	$ 20	$ 26	$ 46

Mortgage Portfolio

The total mortgage portfolio decreased slightly to $7.2 billion or 25% of invested assets in 2002, compared to $7.4 billion or 27% of invested assets in 2001. The mortgage portfolio consisted of 34% commercial loans, 37% multi-family/apartments and 29% single family residential loans. Total insured loans were $3.2 billion or 44% of the mortgage portfolio. It is the Company's practice to acquire only high quality commercial loans meeting strict underwriting standards and diversification criteria. The Company has a well-defined risk rating system, which it uses in its underwriting and credit monitoring processes for commercial mortgages. Residential loans are originated by the Company's mortgage specialists in accordance with well-established underwriting standards and are well-diversified across Canada.

Equity Portfolio

The Company's total equity portfolio was $2.5 billion at December 31, 2002 or 9% of invested assets, up slightly from $2.3 billion or 9% of invested assets a year ago. The equity portfolio consists primarily of high quality publicly traded stocks and institutional-grade income producing real estate located in major Canadian economic centers.

Other General Fund Assets *(in $ millions)*

December 31	**2002**	2001
Funds withheld by ceding insurers	$ 4,786	$ 4,477
Other assets	732	869
Total other general fund assets	$ 5,518	$ 5,346

Funds withheld by ceding insurers increased $309 million, which reflects the nature of reinsurance contracts written and results in a related increase in policy liabilities.

Other assets, at $732 million, is made up of several items including premiums in course of collection, future income taxes, interest due and accrued, fixed assets, prepaid amounts and accounts receivable. The decrease of $137 million is primarily attributable to a decrease in future income taxes.

Segregated Funds

The Investment Division and the Company's investment subsidiaries – GWL Investment Management Ltd. (GWLIM), London Life Investment Management Ltd. (LLIM), and GWL Realty Advisors Inc. (GWLRA) – are the investment managers for the Company's segregated funds.

During 2002, the Company's segregated funds experienced positive net deposits of $566 million. Offsetting the deposit activity was the general market decline in equities resulting in a net decline of total segregated funds assets of $589 million. In total, the Company offers over 260 segregated funds as part of Individual and Group Retirement Services lines of business, including funds totaling $5.3 billion managed by 28 external managers as sub-advisors to GWLIM and LLIM.

Segregated Funds Assets *(in $ millions)*

December 31	2002	2001	2000	1999	1998
Stocks	$ 10,521	$ 11,414	$ 11,238	$ 9,025	$ 6,914
Bonds	4,132	4,065	4,249	4,024	3,837
Mortgages	1,349	1,150	1,070	1,128	960
Real estate	2,022	1,767	1,383	1,119	877
Cash and other	480	697	742	434	371
Total	$ 18,504	$ 19,093	$ 18,682	$ 15,730	$ 12,959
Internally-managed	13,195	14,480	14,382	12,397	10,754
Externally-managed	5,309	4,613	4,300	3,333	2,205
Year over year growth	-3%	2%	19%	21%	–

Outlook – Investment

The Investment Division will continue to develop investment strategies and establish appropriate asset mixes to produce returns that support the Company's general fund lines of business within acceptable risk levels. The majority of the investment program for the general fund will continue to be in fixed-income investments, primarily bonds and mortgages, matching the terms and characteristics of the Company's liabilities. Investments in equity markets and other asset classes are continually reviewed to enhance returns and realize on market opportunities.

With the economy expected to grow in 2003 at a slower pace than the strong rate recorded last year, bond ratings in the market overall are not expected to improve dramatically. In this environment, the Investment Division will continue to closely monitor and manage the credit quality of the Company's fixed income portfolios.

An important objective of the Investment Division and its investment subsidiaries continues to be to support the Company's initiatives in growing assets under management in segregated and mutual fund products, as well as managing assets for third parties.

Liabilities

Liabilities *(in $ millions)*

December 31	2002	2001
Policy liabilities	$ 28,889	$ 27,920
Net deferred gains on portfolio investments sold	814	918
Other general fund liabilities	2,142	1,883
Total liabilities	$ 31,845	$ 30,721

Total liabilities at December 31, 2002 were $31.8 billion, up 4% from December 31, 2001.

Policy Liabilities

Policy liabilities, at $28.9 billion compared to $27.9 billion in 2001, increased $1.0 billion. Policy liabilities are made up of actuarial liabilities, provision for policyholder claims, experience refunds and dividends, and policyholder amounts on deposit with the Company. The increase of nearly $1.0 billion is attributable to increases in actuarial liabilities reflecting growth from increased premiums, as well as increases in the amounts on deposit with the Company.

Other General Fund Liabilities *(in $ millions)*

December 31	2002	2001
Current income taxes	$ 452	$ 380
Commercial paper and other loans	583	642
Other liabilities	1,107	861
Total other general fund liabilities	$ 2,142	$ 1,883

The reduction in commercial paper and other loans of $59 million from December 31, 2001 values is essentially due to repayments of first mortgages secured by real estate. Reference is made to note 6 of the Company's financial statements for an analysis of the loans outstanding. Other liabilities, at $1.1 billion, increased 29% from December 31, 2001. This grouping of accounts consists of trade payables, accruals, temporary transaction related liabilities, as well as provisions for retirement benefits other than pensions. Temporary transaction related liabilities, particularly reinsurance related, represent most of the change, an increase of $283 million compared to December 31, 2001.

Liquidity

The Company uses a number of techniques to manage liquidity in the general fund. Products are designed to improve the predictability of their liability cash flows and to reduce the risk of disintermediation. Assets are acquired to provide cash flows that match the requirements of liabilities. A portion of assets is held in highly marketable securities

that can be sold to meet any unanticipated cash flow requirements prior to maturity. Additional liquidity is available through established lines of credit and the Company's demonstrated ability to access the capital markets for funds.

Liquid assets of $16.3 billion provide adequate levels of liquidity, particularly when used in combination with the other methods of liquidity management available to the Company.

Liquid Assets *(in $ millions)*

December 31	2002 Balance Sheet Value	2002 Market Value	2001 Balance Sheet Value	2001 Market Value
Cash & certificates of deposit	$ 579	$ 579	$ 367	$ 367
Highly marketable securities				
Government bonds	7,493	7,881	5,896	6,077
Corporate bonds	5,931	6,061	6,669	6,586
Common/Preferred shares	1,226	1,235	946	983
Residential mortgages (insured)	1,045	1,069	1,265	1,295
Total	$ 16,274	$ 16,825	$ 15,143	$ 15,308

Cashable Liability Characteristics *(in $ millions)*

December 31	2002	2001
Surrenderable insurance and annuity liabilities		
At market value	$ 2,638	$ 2,735
At book value	11,871	11,088
Total	$ 14,509	$ 13,823

Business Segments – Great-West

Group Insurance

Consolidated Net Income *(in $ millions)*

Years ended December 31	2002	2001
Income:		
Premium income	$ 2,220	$ 2,026
Net investment income	205	215
Fee and other income	68	61
Total income	2,493	2,302
Benefits and Expenses:		
Paid or credited to policyholders	1,868	1,739
Other	426	391
Net operating income before income taxes	199	172
Income taxes	74	67
Net income before non-controlling interests	125	105
Non-controlling interests	–	–
Net income before goodwill amortization	125	105
Amortization of goodwill	–	23
Net income	$ 125	$ 82

Summary of Net Income

	2002	2001
Preferred shareholder dividends	$ –	$ –
Net income – common shareholders	125	82
Net income	$ 125	$ 82

Net income attributable to common shareholders increased 19% in 2002 to $125 million, compared to $105 million in 2001 after adjusting for goodwill amortization charges of $23 million. The health account experienced strong morbidity gains across all the sub-lines of business. Within the long-term disability sub-line, the significant improvement in results is attributed to stabilizing incidence rates and pricing improvements. In the medical, drug and dental sub-lines, the improving experience was particularly evident in the small and mid-sized markets. The life account mortality results also improved as death claim experience was less than expected.

Interest gain results were relatively flat on a year over year comparative basis as gains emerging from asset growth were offset by reduced interest margins. The expense gain component of earnings increased, reflecting lower unit costs and higher expense recovery rates, particularly in the larger market.

Group Insurance – Divisional Summary *(in $ millions)*

Years ended December 31	Premiums and Deposits			Sales		
	2002	2001	% Change	2002	2001	% Change
Business/Product						
Small/mid-sized case	$ 1,201	$ 1,078	11%	$ 185	$ 168	10%
Large case – insured	1,019	948	7%	76	65	17%
– ASO	1,355	1,238	9%	58	72	-19%
Total	$ 3,575	$ 3,264	10%	$ 319	$ 305	5%

Overall premium income, which includes claims from Administrative Services Only (ASO) clients, was up 10% to $3.6 billion in 2002. The growth was driven by improved client persistency in combination with higher sales results.

Persistency improved significantly across all market segments, with particularly strong results in the small and mid-sized markets. Sales results were up a modest 5% reflecting an overall industry decline in new sales on a year over year comparison.

The strong sales growth experienced in the small/mid-sized and large case insured market was offset by lower ASO sales where results fluctuate based on market activity and opportunities to acquire new business at sustainable pricing levels.

Risk Analysis and Management – The basic risk related to group insurance centers on the insurer's ability to predict claims experience for the coming year. Most risks facing the group insurance business are mitigated by the fact that most contract rate levels can be adjusted on a yearly basis.

In healthcare products, claims levels are driven by inflation and utilization. While inflationary trends are relatively easy to predict, claims utilization is less predictable. The impact of aging, which plays a role in utilization, is well documented. However, the introduction of new services, such as breakthrough drug therapies, has the potential to substantially escalate benefit plan costs. The Company manages the impact of these and similar factors through plan designs that limit new costs and through pricing that takes demographic and other trend factors into account.

In disability products, aging and industry characteristics play a role in establishing future claims patterns. However, there is a growing number of disability claims related to stress and mental/nervous disorders, reflecting changes in the economy and in societal attitudes toward these conditions. The incidence of these claims is more difficult to predict and adjudicate, and they tend to be longer in duration than claims related to other disabilities. These risks are managed through pricing and plan designs that emphasize prevention, earlier intervention and return to work programs.

Outlook – Group Insurance

For those companies that are strongly positioned within the Canadian Group marketplace, the outlook is very positive. Demutualization and consolidation has resulted in price rationalization that has facilitated a greater opportunity for profitable growth in all market segments. New technologies have created new opportunities for companies to lower costs while improving their product and services to plan sponsors and plan members. Great-West, with its extensive distribution capability and its low cost, is in an excellent position to capitalize on these new opportunities. Through the effective application of new technologies, Great-West

anticipates that significant reductions in administration and claims adjudication costs will be achieved, thereby enhancing its competitive advantage in this important measure of success. As well, these new technologies will allow the Group Division to expand current services to its plan sponsors, plan members and producers by offering them an ability to transact business and obtain benefit plan and health related information through direct access to administrative systems and data. Finally, as group disability plans continue to gain the attention of plan sponsors, Great-West has developed an array of expanded disability services that will support clients in the management of their plans. Early intervention programs and on-line disability management information services are available to meet these emerging client needs.

Individual Insurance & Investment Products

Consolidated Net Income *(in $ millions)*

Years ended December 31	2002			2001		
	Shareholder	Participating Policyholder	Total	Shareholder	Participating Policyholder	Total
Income:						
Premium income	$ 662	$ 1,377	$ 2,039	$ 628	$ 1,326	$ 1,954
Net investment income	463	909	1,372	513	926	1,439
Fee and other income	332	–	332	311	–	311
Total income	1,457	2,286	3,743	1,452	2,252	3,704
Benefits and Expenses:						
Paid or credited to policyholders	741	1,994	2,735	799	1,843	2,642
Other	365	256	621	374	275	649
Net operating income before income taxes	351	36	387	279	134	413
Income taxes	139	36	175	104	116	220
Net income before non-controlling interests	212	–	212	175	18	193
Non-controlling interests	–	–	–	–	18	18
Net income before goodwill amortization	212	–	212	175	–	175
Amortization of goodwill	–	–	–	28	–	28
Net income	$ 212	$ –	$ 212	$ 147	$ –	$ 147

Summary of Net Income

Preferred shareholder dividends	$ –	$ –	$ –	$ –	$ –	$ –
Net income – common shareholders	212	–	212	147	–	147
Net income	$ 212	$ –	$ 212	$ 147	$ –	$ 147

Individual Insurance & Investment Products (IIIP) consists of three distinct product divisions – Individual Life Insurance, Living Benefits and Retirement & Investment Services (RIS). Products are distributed through Freedom 55 Financial and Great-West financial security advisors, as well as independent brokers and intercorporate agreements with other financial institutions.

Net income attributable to common shareholders increased 21% to $212 million from 2001 results adjusted for goodwill amortization. Increased individual life insurance results reflect a favourable change in actuarial liabilities related to excess interest rate provisions, described in note 5 of the Company's financial statements, as well as improved mortality. Living Benefits experienced favourable morbidity experience in 2002, while exceptionally strong net cash flow, despite turbulent markets, resulted in earnings growth for RIS. Participating policyholder dividends were $608 million in 2002 compared to $584 million in 2001. Effective expense management continued to support the earnings growth in all IIIP divisions.

Individual Insurance – Divisional Summary *(in $ millions)*

Years ended	Individual Life Participating	Individual Life Non-Participating	Living Benefits	Total
December 31, 2002				
Sales premium	$ 67	$ 41	$ 24	$ 132
Revenue premium income	1,377	261	127	1,765
December 31, 2001				
Sales premium	$ 53	$ 43	$ 22	$ 118
Revenue premium income	1,326	263	118	1,707

Individual Life Insurance

Individual life insurance sales, measured by annualized premium, increased by 11% to $108 million in 2002, while revenue premium exceeded $1.6 billion.

This is a favorable result, as life insurance sales were generally down across the industry in 2002 due to decreases in universal life sales. The Company's favorable results are due to its strong portfolio of traditional term and participating life insurance products.

Sales of participating policies increased 28% in 2002, and continued strong in the age 50+ wealth management market. The retrenchment of participating insurance sales in Canada by competitors, spurred by demutualization, continues to bolster the Company's dominant market position of more than 40% of Canadian participating insurance sales.

New annualized premium from term insurance sales increased 1% over 2001 and the Company's universal life products decreased to $5 million in 2002 from $6 million in 2001.

In recent years, the Company expanded its life insurance product offering through two intercorporate agreements with third parties. These agreements provide universal life, term insurance and non-participating permanent products for the high-net-worth market. Sales of these products were constant at $12 million in 2002.

The Company's sound management of its participating insurance businesses enables it to deliver long-term policyholder dividend performance that is consistently among the best in the industry. Participating portfolio investment returns were lower due to market conditions, which created pressure on related earnings. However, favourable mortality, morbidity and expense levels allowed the Company to maintain policyholder dividend scales for 2002. A reduction to the 2003 policyholder dividend scales, effective April 1, 2003, has been implemented, due to sustained lower investment returns on the assets backing liabilities in the participating account, which have not been fully offset by mortality improvements. A regulated percentage of in-year distributable surplus in the participating account is credited to the shareholder account. In 2002, the total amount credited was $16 million.

Risk Analysis and Management – The most significant risk in the life insurance business is mortality, which has an impact both on claims paid during the year and on the reserves that must be established to fund future claims. The Company manages this risk primarily through effective underwriting practices, developed to support the long-term sustainability of the business. Because of the long-term nature of life insurance contracts, the impact of underwriting practices tends to emerge 20 or 30 years after contracts are issued, when most claims are incurred. Current mortality experience reflects the diligence of underwriting practices over past decades, as well as today's practices.

A current industry risk involves the pricing of the level cost of insurance option within universal life products. The pricing of this option, guaranteed for the life of the policy, requires a guaranteed interest rate and lapse assumption extending over a long period. A small adverse change in actual long-term lapses or investment returns can lead to significant insufficiency in premiums. Management considers the industry's current pricing of this option to be lower than required to produce adequate profitability, and has avoided significant exposure in this market.

Living Benefits

Living Benefits sales, consisting of disability insurance and critical illness insurance, increased by almost 9% in 2002 for a total of $24 million in new annualized premium. This growth was mainly due to increased sales of critical illness insurance. Overall, revenue premium increased 8% to $127 million, indicating strong persistency.

Critical illness insurance sales of $5 million in new annualized premium continue to exceed expectations. *Oasis*™, Great-West's critical illness product, was first introduced in 2000 and further enhanced in 2001. Within a short period, this product has become a market leader.

Disability insurance sales of $19 million in new annualized premium represented a 1% increase in 2002. During this

time, industry sales also increased, mainly due to growth in guaranteed standard issue sales. To date, Great-West has not been a key player in the guaranteed standard issue market, but launched a pilot program in 2002.

The self-employed market, buoyed by ongoing consolidation in several industries, continues to be the main source of sales, accounting for approximately 70% of new business.

Risk Analysis and Management – The significant risk for this line of business is morbidity, which is the incidence and duration of disability insurance claims and the incidence of critical conditions for critical illness insurance.

Disability experience is highly cyclical and changes with economic conditions. A significant number of disability claims relate to stress and mental/nervous disorders, reflecting changes in the economy. The incidence of these claims is more difficult to predict and adjudicate than many other conditions. In addition, they tend to last longer than claims related to other disabilities.

The Company manages the disability risk through its underwriting practices, experience and trend analysis, in addition to its reserve and pricing reviews. Current morbidity experience reflects the diligence of past underwriting practices and pricing, as well as current practices.

Retirement & Investment Services

Divisional Summary *(1) (in $ millions)*

Years ended	Individual Savings Plans	Group Savings Plans	Group Investment Management	Payout Annuities	Total
December 31, 2002					
Sales premium					
Risk-based products	$ 374	$ 39	$ 1	$ 45	$ 459
Segregated funds	1,963	209	361	–	2,533
Revenue premium income					
Risk-based products	90	152	–	32	274
Segregated funds	1,649	802	361	–	2,812
Assets under administration					
Risk-based products	1,226	1,124	43	2,603	4,996
Segregated funds	10,074	3,797	4,633	–	18,504
Total	$ 11,300	$ 4,921	$ 4,676	$ 2,603	$ 23,500
December 31, 2001					
Sales premium					
Risk-based products	$ 417	$ 38	$ 9	$ 33	$ 497
Segregated funds	1,916	195	287	–	2,398
Revenue premium income					
Risk-based products	73	141	–	33	247
Segregated funds	1,586	737	308	–	2,631
Assets under administration					
Risk-based products	1,323	1,107	62	2,665	5,157
Segregated funds	10,012	3,838	5,243	–	19,093
Total	$ 11,335	$ 4,945	$ 5,305	$ 2,665	$ 24,250

(1) Excludes Quadrus distributed mutual funds sales and assets.

The Company's Retirement & Investment Services (RIS) division experienced mixed sales results in 2002 as the difficult market conditions persisted. Continued poor equity market performance led to growing consumer unease with investment funds and more interest in preserving capital and in products with guarantees.

Within this difficult investment climate, total RIS division assets remained stable. According to 2002 mutual fund asset statistics published by the Investment Funds Institute of Canada (IFIC), total Canadian mutual fund assets decreased by 8%, while the Company's individual retail segregated funds grew marginally during the same period.

The Company strengthened its leading market share position for individual segregated funds assets, increasing to 25.8% at December 31, 2002, from 23.6% at the end of 2001. The Company's market share of individual retail segregated funds net deposits at December 31, 2002, was 68%. Gross sales and net cash flow of individual savings plans increased in 2002 over 2001. Net cash flow for individual retail segregated fund assets for 2002 was 8% of beginning assets, compared with 1% for the Canadian mutual fund industry, as published by IFIC. The Company offers 56 *Freedom Funds™* to individual Freedom 55 Financial clients and 54 segregated funds to individual Great-West clients.

Group savings plan sales increased slightly year over year despite an overall sales decline in the marketplace. An increase in revenue premium resulted in improved net cash flow in 2002, compared to 2001. In addition, continued enhancements in online services contributed to improved unit costs. An industry benchmark study by Brendan Wood International ranked the Group Retirement Services organization first in client service, client loyalty and selection criteria. Group Investment Management sales for 2002 increased from the previous year due to favourable results from the large case market.

Mutual Funds – Mutual fund assets distributed by Quadrus licensed investment representatives increased 19% as a result of sales activity and successfully repatriating investment representatives and their mutual fund business to Quadrus. In 2002, sales of mutual funds through Quadrus increased 41% despite the difficult marketplace. By year end, Quadrus had over 3,000 licensed investment representatives.

Quadrus Investment Services *(in $ millions)*

Years ended December 31	2002	2001
Mutual fund sales	$ 195	$ 138
Distributed mutual fund assets	1,152	969

Quadrus offers 40 mutual funds under the *Quadrus Group of Funds™* brand. Quadrus works closely with Mackenzie Financial Corporation (Mackenzie), a member of the Power Financial Corporation group of companies, which manages Quadrus's administrative platform. The Company expects significant growth in this relatively new line of business.

Risk Analysis and Management – The Company's investment fund business is fee-based, with revenue and profitability based on the market value of investment fund assets under management. Fluctuations in fund asset levels occur as a result of both changes in cash flow and general investment market conditions. Through its wide range of funds, the Company limits its risk exposure to any particular market. As well, the Company advocates its clients follow a long-term asset allocation approach, which reduces the risk of cash flow changes due to market timing. The success of this approach is evident with the Company experiencing significantly better net cash flow and market returns on its segregated funds than overall mutual fund industry results.

At December 31, 2002, 67% of individual segregated funds assets were in diversified funds and "fund of funds" investment profiles, which are designed to improve the likelihood of optimal returns within a given level of risk.

A risk facing the industry has been the trend towards promoting guarantees against losses on segregated fund investments. The capital requirements introduced by OSFI at the end of 2000 (based on a risk-adjusted set of factors) influenced the industry to adopt significant changes in product design, with a trend towards more conservative guarantees and, in many cases, increased fees for clients. These changes further increased the competitiveness of the Company's products and lowered future risk for the industry as a whole. The vast majority of the Company's maturity guarantees are for 75% of policyholder deposits, less withdrawals, rather than the more aggressive 100%.

Outlook – IIIP

The past 12 months have been exceptionally challenging for the North American economy. Despite this turbulence, the Company increased the size of its distribution organizations – Freedom 55 Financial and Great-West – and outperformed the industry in many areas.

Performance in Individual life insurance significantly outpaced the industry. Although life insurance sales were down 3% across the industry, the Company's total new annualized premium grew 11% from the prior year, while sales of participating insurance increased 28% from 2001. Sales were particularly strong in the affluent and established market segment, where life insurance can play an important role in business succession and estate planning. The Company expects this demand to continue.

Both mutual and segregated funds assets under management grew in 2002 despite difficult markets and investor anxiety. Great-West is the leading provider of segregated funds in Canada. Proprietary segregated and mutual funds accounted for approximately $1 of every $5 in net sales in the investment industry.

An important goal is to continue to equip financial security advisors with tools to enhance their productivity. Financial security advisors and managers are already enjoying the benefits of a new business planning tool, as well as enhanced planning and sales tools to use with clients. During the last 12 months, financial security advisors received new, simplified sales processes to help increase revenues from investment funds and critical illness insurance. In 2003, the Company will expand the use of these tools and introduce new sales tools for risk products.

In addition, the Company will make a significant investment in technology support to financial security advisors by providing greater access to online information and client service tools.

Another priority is to provide clients with improved fund statements for retail segregated funds. The new statements will include graphs, charts and an easier-to-read format so clients can track account activity and see at a glance how their portfolio is structured and performing.

An important future source of revenue is subsidiary Quadrus Investment Services. In particular, the Quadrus family of 40 exclusive mutual funds represents a growing source of fee income.

Reinsurance & Specialty General Insurance

The Company conducts its reinsurance business through London Reinsurance Group (LRG), which participates in life, property and casualty, accident and health, and annuity coinsurance, in specific niche markets.

Consolidated Net Income *(in $ millions)*

Years ended December 31	2002	2001
Income:		
Premium income	$ 3,922	$ 3,455
Net investment income	474	473
Fee and other income	2	2
Total income	4,398	3,930
Benefits and Expenses:		
Paid or credited to policyholders	4,338	3,894
Other	28	78
Net operating income before income taxes	32	(42)
Income taxes	2	(12)
Net income before non-controlling interests	30	(30)
Non-controlling interests	1	2
Net income before goodwill amortization	29	(32)
Amortization of goodwill	–	8
Net income	$ 29	$ (40)

Summary of Net Income

	2002	2001
Preferred shareholder dividends	$ –	$ –
Net income – common shareholders	29	(40)
Net income	$ 29	$ (40)

Net Income Analysis *(in $ millions)*

Years ended December 31	2002	2001
London Reinsurance Group *(1)*	$ (1)	$ (34)
London Guarantee – operations	–	(1)
– gain on sale	31	–
Other	(1)	(5)
Total	$ 29	$ (40)

(1) 2001 includes a provision of $73 in the shareholder account for the events of September 11, 2001.

Net income attributable to common shareholders of $29 million in 2002, is comparable to $41 million a year ago, after adjusting 2001 to exclude goodwill amortization and charges related to the events of September 11, 2001. In 2002, net income of $29 million was impacted by both a gain on the sale of London Guarantee in early 2002 and unfavourable reinsurance experience in LRG.

London Reinsurance Group (LRG)

The Company's reinsurance business is conducted through LRG. LRG is a global provider of specialty finite reinsurance and holds a strategic position in a number of niche retrocession and reinsurance markets. LRG is a composite reinsurer, reinsuring life, property and casualty, accident and health and annuity business primarily in the United States and Europe, through operating subsidiaries in the United States, Barbados and Ireland. LRG holds a strong market share in the U.S. property and casualty finite retrocession market and the U.S. life financial reinsurance market.

LRG's net loss for 2002 was $1 million compared to a loss of $34 million in 2001. In 2001, a charge was made for $82 million after-tax, of which $73 million was attributable to the shareholder account, related to an estimated claims provision from the events of September 11, 2001. No changes have been made with respect to this provision to date, as the original amount continues to be considered appropriate.

Income in 2002 was adversely impacted by strengthening of reserves related to the guaranteed maturity benefit portfolio due to stock market deterioration, and strengthening of reserves as a consequence of deterioration in claims experience on certain property and casualty and life reinsurance contracts. Although no significant cash payments have been made on these reinsurance contracts, a full provision has been made to reflect the level of claims as notified by clients.

London Reinsurance Group – Divisional Summary *(in $ millions)*

Years ended December 31	2002 Premium Income	2002 Assets	2001 Premium Income	2001 Assets
Line of Business				
Life	$ 2,815	$ 2,869	$ 2,257	$ 2,368
Property and casualty	829	3,373	853	3,181
Annuity	192	735	150	909
Accident and health	86	203	99	90
Capital and surplus	–	715	–	717
	$ 3,922	$ 7,895	$ 3,359	$ 7,265
Geographic				
Barbados	$ 3,137	$ 5,918	$ 3,101	$ 5,765
Ireland	681	1,049	137	579
Other	104	928	121	921
	$ 3,922	$ 7,895	$ 3,359	$ 7,265

Premium income in 2002 increased $563 million or 17% over 2001 primarily due to the level of underlying life line of business structured reserve transfer reinsurance contracts written in 2002. Assets in the life line of business had a corresponding increase in 2002.

Risk Analysis and Management – LRG continues to manage its risk through the diversification of business by client, geographic area and type of risk insured. LRG's underwriting policies, investment and financial management practices allow LRG to react to a changing business environment.

LRG's capacity to write financial reinsurance business is determined primarily by its ability to issue letters of credit to clients and maintain a strong liquidity position. In this regard, LRG continues to benefit from the overall strength and support of Great-West and its commitment to the reinsurance business. LRG has a U.S. $1.425 billion syndicated letter of credit facility.

Outlook – LRG

The reinsurance industry has experienced difficult and volatile times over the last few years. The reinsurance industry continues to undergo significant changes. Reinsurers have exited certain lines of business and entered others. Some reinsurers are being sold and despite the general turmoil and uncertainty in the industry, a number of new reinsurers commenced operations in 2001 and 2002 in the aftermath of September 11.

LRG expects improved results in 2003 due to continuous increases in premium rates and improved terms and conditions. LRG will maintain its core strategy of providing financial reinsurance to core relationship clients. LRG, through its operating subsidiaries, will continue to be a provider of niche reinsurance products.

London Guarantee

As discussed in note 20 of the Company's financial statements, on March 21, 2002, London Life closed the sale of its subsidiary, London Guarantee to the St. Paul Companies of Saint Paul, Minnesota, which resulted in an after-tax gain of $31 million.

Corporate

Consolidated Net Income *(in $ millions)*

Years ended December 31	2002	2001
Income:		
Premium income	$ 17	$ 16
Net investment income	98	125
Fee and other income	18	17
Total income	133	158
Benefits and Expenses:		
Paid or credited to policyholders	37	33
Other	22	17
Net operating income before income taxes	74	108
Income taxes	(55)	(7)
Net income before non-controlling interests	129	115
Non-controlling interests	23	22
Net income before goodwill amortization	106	93
Amortization of goodwill	–	3
Net income	$ 106	$ 90

Summary of Net Income

	2002	2001
Preferred shareholder dividends	$ 31	$ 30
Net income – common shareholders	75	60
Net income	$ 106	$ 90

The Corporate segment includes investment income, expenses and charges related to capital and other assets not associated with major business units, as well as the reconciliation of total income taxes reported for the shareholder account and the internal allocation of income taxes to the major units. The Corporate segment also includes the business activities of Lifeco, those that are not associated with the major business units of Great-West and the operations of the United States branch of Great-West.

Net income attributable to common shareholders in the Corporate segment of Canadian operations in 2002 was $75 million, compared to $63 million for 2001 after adjusting for goodwill. Included in this segment in 2002 is the reduction of provisions for income taxes of $41 million described in note 13 of the Company's financial statements, partially offset by a strengthening of credit loss provisions related to technology holdings and lower investment income compared to 2001.

UNITED STATES – 2002 OPERATING RESULTS

The United States operating results for Lifeco are the net operating income of GWL&A, together with an allocation to the United States of a portion of Lifeco's corporate results.

Financial Information – United States Operations

Consolidated Operations *(in $ millions)*

Years ended December 31	2002			2001			
	Shareholder	Participating Policyholder	Total	Shareholder	Participating Policyholder	Total	% Change
Income:							
Premium income *(1)*	$ 2,593	$ 396	$ 2,989	$ 2,601	$ 425	$ 3,026	-1%
Net investment income	928	561	1,489	927	534	1,461	2%
Fee and other income	1,387	–	1,387	1,467	–	1,467	-5%
Total income	4,908	957	5,865	4,995	959	5,954	-1%
Benefits and Expenses:							
Paid or credited to policyholders	2,690	925	3,615	2,796	926	3,722	-3%
Other	1,495	21	1,516	1,604	22	1,626	-7%
Special Charges *(2)*	–	–	–	204	–	204	–
Net operating income before income taxes	723	11	734	391	11	402	83%
Income taxes	233	1	234	120	9	129	81%
Net income before non-controlling interests	490	10	500	271	2	273	83%
Non-controlling interests	–	10	10	–	2	2	–
Net income before goodwill amortization	490	–	490	271	–	271	81%
Amortization of goodwill	–	–	–	4	–	4	–
Net income	$ 490	$ –	$ 490	$ 267	$ –	$ 267	84%
Summary of Net Income							
Preferred shareholder dividends	$ –	$ –	$ –	$ 1	$ –	$ 1	–
Net income – common shareholders	490	–	490	266	–	266	84%
Net income	$ 490	$ –	$ 490	$ 267	$ –	$ 267	84%
(1) excludes – segregated funds deposits	$ 3,863	$ –	$ 3,863	$ 5,019	$ –	$ 5,019	-23%
– self-funded premium equivalents (ASO)	$ 8,209	$ –	$ 8,209	$ 8,861	$ –	$ 8,861	-7%

The financial statements of a life insurance company do not include the assets, liabilities, deposits and withdrawals of segregated funds or the claims payments related to administrative services only (ASO) Group health contracts. However, the Company does earn fee and other income related to these contracts.

Segregated fund business is an option offered under an insurance annuity contract, where the benefit amount is directly linked to the market value of the investments held in the particular segregated account. The contractual arrangements are such that the segregated fund contract holder bears the risks and rewards of the account's investment performance apart from death and maturity benefit guarantees. ASO Group health contractual agreements are those where the Company provides administrative and claim paying services for clients, and under these arrangements, the client bears some or all of the claim risk. The self-funded premium equivalents generally represent claims paid under these contracts which approximate the additional premiums that would have been earned if these contracts had been written as traditional risk programs.

(2) Results include a non-recurring charge of $204 pre-tax ($133 after-tax) plus operating losses of $32 after-tax, both related to Alta Health & Life Insurance Company (Alta), an indirect wholly-owned subsidiary, previously reported at June 30, 2001, as part of the Company's United States Employee Benefits segment. The total impact of Alta on net income for the twelve months ended December 31, 2001 was a reduction of $165 after-tax.

Reference is made to note 18 of the Lifeco financial statements, Segmented Information, for the presentation of GWL&A.

Net Income

Net income from United States operations for 2002 was $490 million, compared to $267 million for 2001. United States consolidated net income attributable to common shareholders was $490 million compared to $266 million for 2001. After adjusting 2001 for goodwill amortization, plus a non-recurring charge of $133 million and 2001 operating losses of $32 million, both associated with Alta Health & Life Insurance Company (Alta), 2002 earnings increased by 13%.

All following 2001 comparative figures have been adjusted to exclude goodwill amortization and Alta charges.

Net Income Attributable to Common Shareholders

(in $ millions)

Years ended December 31	2002	2001	% Change
Employee Benefits	$ 250	$ 215	16%
Financial Services	247	244	1%
Corporate	(7)	(24)	–
	$ 490	$ 435	13%
(US $ millions)			
Employee Benefits	$ 159	$ 138	15%
Financial Services	158	157	1%
Corporate	4	(1)	–
	$ 321	$ 294	9%

The positive earnings results, after excluding the impact of special non-recurring charges related to Alta, reflect improvement in Employee Benefits associated with improved morbidity in the mid-market block of health business. Earnings from the Financial Services division were basically flat as the reduction in fee income was offset by a decrease in operating expenses and an increase in interest margins.

Historically, the 401(k) business unit had been included with the Employee Benefits segment. To capitalize on administrative system efficiencies and group pension expertise, 401(k) is now administered by the Financial Services segment. As a result, prior period segment results have been reclassified to conform with this change.

GWL&A recorded $54 million ($35 million, net of tax) of restructuring costs in 2002 related to the costs associated with the consolidation of benefit payment offices and sales offices throughout the United States. The charges relate to severance, disposal of furniture and equipment, and termination of leasing agreements. During 2002, 977 employees were terminated, of which 923 worked in the Employee Benefits Division.

GWL&A established a premium deficiency reserve on the Alta block of business in 2001. Releases of $29 million in 2001 and $13 million in 2002 were made to offset the underwriting losses incurred on this under-priced block of business. Also during 2002, this reserve was reduced by $30 million ($20 million net of tax) based on an analysis of emerging experience. The balance of the premium deficiency reserve at December 31, 2002 was zero.

In 2002, a study of the Company's mortality and recovery experience of disabled lives under waiver of premium contracts resulted in a reduction in group waiver of premium disability reserves totaling $54 million ($38 million, net of tax).

The 2002 morbidity experience was negatively impacted by the payment of claims associated with a new Department of Labor (ERISA) regulation requiring payment of claims within 30 days of receipt (approximately $25 million, net of tax).

In terms of major business units:

Employee Benefits – The increase in earnings for 2002, compared to a year ago, is primarily related to improved morbidity results.

Financial Services – The overall results increased from 2001 primarily as the result of currency exchange rates. An increase in interest margins from 2001 and a decrease in operating expenses were offset by a reduction of fees (due to lower U.S. equity markets).

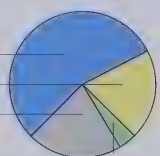
Corporate – The change for 2002 compared to a year ago, reflects the net settlement of forward foreign exchange contracts at the Lifeco level, which are associated with the translation of United States operations into Canadian dollars. This segment also benefited from a reduction in U.S. withholding taxes in 2002 and credits associated with prior year income taxes.

Premiums and Deposits

Years ended December 31 (in $ millions)	Premiums and Deposits			Sales		
	2002	2001	% Change	2002	2001	% Change
Business/Product						
Employee Benefits						
Group life and health	$ 9,786	$ 10,569	-7%	$ 1,176	$ 1,014	16%
Financial Services						
Savings	2,312	1,926	20%	779	1,025	-24%
Insurance	757	1,573	-52%	225	867	-74%
401(k)	2,206	2,838	-22%	993	1,169	-15%
	$ 15,061	$ 16,906	-11%	$ 3,173	$ 4,075	-22%
Summary by Type						
Risk-based products	$ 2,989	$ 3,026	-1%			
ASO contracts	8,209	8,861	-7%			
Segregated funds deposits:						
– Individual products	644	1,369	-53%			
– Group products	3,219	3,650	-12%			
Total premiums and deposits	$ 15,061	$ 16,906	-11%			
Total premiums and deposits and sales US$	$ 9,593	$ 10,914	-12%	$ 2,021	$ 2,631	-23%

The 11% decrease in premium income and deposits in 2002 was comprised of a decrease of $783 million in Employee Benefits premium income and deposits, and a decrease in Financial Services premium income and deposits of $1.1 billion. The decline in the Employee Benefits segment is primarily due to lower membership levels associated with lower case sales. The decrease in Financial Services premium income was primarily due to lower Business Owned Life Insurance (BOLI) premiums and lower 401(k) premium deposits.

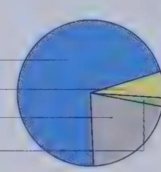
The 1% decrease in premium income for risk-based products primarily reflects a reduction in group life and health premiums of $131 million, a decrease in individual insurance of $60 million, and a decrease in individual annuity of $18 million offset by an increase in group annuity of $199 million. The segregated funds decrease of 53% in individual products is primarily driven by BOLI and the group products division decrease reflects lower 401(k) deposits.



2001 figures are shown in brackets

Net Investment Income *(in $ millions)*

Years ended December 31	2002	2001	% Change
Investment income earned	$ 1,453	$ 1,453	–
Amortization of gains and losses	41	23	78%
Provision for credit losses	8	–	–
Gross investment income	1,502	1,476	2%
Less: Investment expenses	13	15	-13%
Net investment income	$ 1,489	$ 1,461	2%

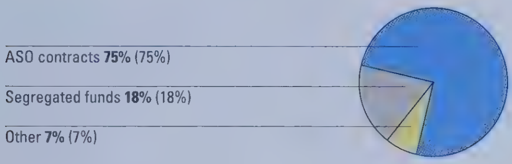


2001 figures are shown in brackets

Net investment income for 2002, representing the investment revenue from general fund assets (excludes segregated funds assets) increased slightly, reflecting a combination of market conditions and minimal growth in the general account portfolio. The bond component of net investment income increased to 73% in 2002, as the Company continues to invest primarily in investment grade bonds.

Fee Income *(in $ millions)*

Years ended December 31	2002	2001	% Change
Segregated funds	$ 244	$ 257	-5%
ASO contracts	1,036	1,105	-6%
Other	107	105	2%
	$ 1,387	$ 1,467	-5%



2001 figures are shown in brackets

Fee income is derived from the management of segregated funds assets and the administration of group health ASO business. The ASO fee income decrease was the result of a decrease in medical membership, while the segregated funds fee change reflects the impact of the lower U.S. equity markets, particularly with respect to 401(k) business.

Paid or Credited to Policyholders

This amount is made up of increases in policy liabilities, claims, surrenders, annuity and maturity payments, dividend and experience refund payments for guaranteed products, but does not include payment amounts for fee-based products (ASO contracts and segregated funds).

For risk-based products the amount paid or credited to policyholders decreased 3% when compared to 2001. The decrease is primarily related to a decrease in actuarial liabilities of $230 million, which is primarily associated with participating life insurance business partially offset by the difference in the U.S. currency conversion rates totaling $70 million.

Policyholder dividends credited in 2002 were $198 million, compared to $200 million in 2001.

Other

Included in other benefits and expenses are operating expenses, commissions, as well as premium taxes.

Other *(in $ millions)*

Years ended December 31	2002	2001	% Change
Total expenses	$ 1,189	$ 1,287	-8%
Less: Investment expenses	13	15	-13%
Operating expenses	1,176	1,272	-8%
Commissions	291	296	-2%
Premium taxes	49	58	-16%
Total	$ 1,516	$ 1,626	-7%

Operating expenses for 2002 are lower than 2001 levels by 8% or $96 million primarily reflecting action the Company took to offset the lower expense recoveries associated with the membership decline in Employee Benefits. The reduction in expenses was partially offset by $25 million of restructuring costs recorded in the fourth quarter of 2002.

Commissions include sales compensation related to guaranteed products, as well as segregated funds and administrative services only contracts. The decrease of 2% is mostly related to Financial Services as sales were off over 20%.

Premium taxes decreased 16% primarily as a result of the large decrease in BOLI separate account premiums.

Consolidated Balance Sheet – United States Operations *(in $ millions)*

December 31	2002			2001		
	Shareholder	Participating Policyholder	Total	Shareholder	Participating Policyholder	Total
Assets						
Invested assets	$ 14,550	$ 8,130	$ 22,680	$ 14,836	$ 8,009	$ 22,845
Goodwill and intangible assets	66	–	66	66	–	66
Other general fund assets	987	328	1,315	1,249	309	1,558
Total assets	$ 15,603	$ 8,458	$ 24,061	$ 16,151	$ 8,318	$ 24,469
Segregated funds assets			17,544			19,774
Total assets under administration			$ 41,605			$ 44,243
Liabilities, Capital Stock and Surplus						
Policy liabilities	$ 11,450	$ 7,957	$ 19,407	$ 11,847	$ 7,832	$ 19,679
Net deferred gains on portfolio investments sold	136	8	144	123	8	131
Other general fund liabilities	1,667	249	1,916	2,038	243	2,281
Total liabilities	13,253	8,214	21,467	14,008	8,083	22,091
Non-controlling interests	–	244	244	–	235	235
Capital stock and surplus	2,350	–	2,350	2,143	–	2,143
Total liabilities, capital stock and surplus	$ 15,603	$ 8,458	$ 24,061	$ 16,151	$ 8,318	$ 24,469

Assets

Total assets under administration decreased $2.6 billion or 6% in 2002 when compared to the year ended December 31, 2001. Segregated funds assets decreased $2.2 billion due to a combination of the change in U.S. exchange rates and the continued weakening of the equity markets in the United States. The invested assets of the general fund decreased $0.2 billion due to a change in U.S. exchange rates.

Invested Assets

Both general fund and segregated funds assets are managed or administered by the Investment Division of the Company. Within the Company's conservative investment policies, the Investment Division manages portfolios of assets to produce a steady source of income to support the cash flow and liquidity requirements of the Company's insurance and investment products. The Company invests the majority of its general funds in medium-term and long-term fixed-income securities, primarily bonds and mortgages, which reflect the nature of the liabilities being matched.

The Investment Division reviews its investment strategy on an ongoing basis in light of liability requirements and current economic and market conditions. The Company's investment policies limit concentrations of risk within its investment and lending portfolios, which are well-diversified by asset class, industry sector, location and size of borrowers.

Net investment income for 2002 remained flat at $1.5 billion. The Company's overall investment portfolio earned a yield of 7.3% in 2002, compared to 7.4% in 2001, reflecting the general decline in interest rates.

In 2002, funds available for investment and mortgages subject to renewal and rate adjustment totaled $2.2 billion, and were placed as follows:

- 41% in U.S. government and agency bonds,
- 58% in other bonds,
- 1% in mortgage renewals.

Asset Distribution *(in $ millions)*

December 31	2002		2001	
Government bonds	$ 5,278	23 %	$ 5,012	22 %
Corporate bonds	11,372	50	11,301	50
Mortgages	660	3	977	4
Stocks and real estate	354	2	327	1
Sub-total portfolio investments	17,664		17,617	
Cash & certificates of deposit	333	1	448	2
Policy loans	4,683	21	4,780	21
Total invested assets	$ 22,680	100 %	$ 22,845	100 %

Asset Quality

The Company's exposure to non-investment grade bonds was $471 million or 3% of the portfolio at December 31, 2002, up from $406 million at December 31, 2001.

Total exposure to the Telecommunications, Media and Information Technologies (TMT) sectors for United States operations is $370 million ($370 million in 2001), of which 31% are rated "A" or higher, 62% are rated "BBB" and 7% or $26 million are non-investment grade.

Non-performing investments, including bonds in default, mortgages in the process of foreclosure or in arrears 90 days or more, and real estate acquired by foreclosure, totaled $46 million or 0.26% of portfolio investments at December 31, 2002, compared with $138 million and 0.78% at December 31, 2001.

The Company's allowance for credit losses at December 31, 2002 for non-investment grade bonds and non-performing assets was $88 million, a decrease of $12 million from December 31, 2001. Additional provisions for future credit losses on assets backing liabilities are included in actuarial liabilities and amount to $34 million at December 31, 2002 ($49 million at December 31, 2001).

The Company's new bond investments included not only publicly-traded corporate bonds and highly rated structured securities, but also private placements which typically offer higher yields and better covenant protection than public bonds. The Company anticipates investment grade bonds will remain the largest component of its 2003 investment program.

As of December 31, 2002, approximately 96% of the Company's invested assets were cash, bonds or policy loans. The overall quality of the bond portfolio, the largest single component of the Company's invested assets, continues to be high, with 97% of the portfolio rated investment grade.

Bond Portfolio Quality *(excludes $1,033 short-term investments, $578 in 2001) (in $ millions)*

December 31	2002		2001	
Estimated Rating				
AAA	$ 9,220	59%	$ 9,131	58%
AA	1,401	9	1,415	9
A	2,298	15	2,203	14
BBB	2,227	14	2,580	16
BB or lower	471	3	406	3
Total	$ 15,617	100%	$ 15,735	100%

Non-Performing Loans *(in $ millions)*

December 31	2002				2001			
Asset Class	Bonds	Mortgages	Foreclosed Real Estate	Total	Bonds	Mortgages	Foreclosed Real Estate	Total
Non-performing loans	$ 39	$ 4	$ 3	$ 46	$ 113	$ 8	$ 17	$ 138

Allowances for Credit Losses *(in $ millions)*

December 31	2002			2001		
	Specific Provisions	General Provisions	Total	Specific Provisions	General Provisions	Total
Bonds and mortgage loans	$ –	$ 88	$ 88	$ –	$ 100	$ 100

The bond portfolio is comprised of structured securities at 48% and corporate bonds at 52%. The structured securities category includes both asset-backed and mortgage-backed securities. The Company's strategy, related to these assets, is to focus on those with low volatility and minimal credit risk.

The U.S. equity portfolio consists primarily of the Denver home office, minimal other real estate, seed money in some of the Company's segregated funds and a small amount of common stock and private equities. The Company anticipates a limited participation in real estate and the equity markets during 2003.

Other General Fund Assets *(in $ millions)*

December 31	2002	2001
Total other general fund assets	$ 1,315	$ 1,558

Other general fund assets, at $1.3 billion, is made up of several items, including premiums in the course of collection, future income taxes, interest due and accrued, fixed assets, software development, and accounts receivable. The decrease of $243 million is mainly attributable to decreases in deferred income tax of $102 million, premium receivable of $73 million, and furniture and equipment of $33 million.

Segregated Funds

The Company continues to offer a broad selection of mutual and segregated funds. During 2002, such funds administered by the Company declined to $17.5 billion, reflecting the lower U.S. equity markets, compared with $19.8 billion at year-end 2001.

Segregated Funds Assets *(in $ millions)*

December 31	2002	2001	2000	1999	1998
Variable funds	$ 12,731	$ 16,103	$ 16,394	$ 16,771	$ 14,588
Stable asset accounts	4,813	3,671	2,083	1,227	847
Total	$ 17,544	$ 19,774	$ 18,477	$ 17,998	$ 15,435
Year over year growth	-11%	7%	3%	17%	–

Outlook – Investment

The U.S. economic recovery is proving to be sluggish and uneven. The Company expects growth to be below trend for the next few quarters, gaining momentum through the second half of 2003. Currently, economic indicators are mixed. Expectations are for domestic real GDP growth in 2002 and 2003 of approximately 2.5%. Globally, economies remain weak with the exception of China.

The Federal Reserve Board responded aggressively to weaker than expected economic data with a 50 basis point cut in the Fed Funds rate to 1.25% at the November meeting. While stimulative policy and strong underlying productivity growth were expected to restore the economy to a sustainable trend rate of growth, persistent stock market weakness has undercut monetary policy stimulus and economic risks are biased to a below potential growth scenario.

Interest rates across the curve bottomed in early October after declining to levels not experienced since the 1960's, rising modestly since then. It is likely that inflation and yields will stay relatively low over the intermediate term, providing the Federal Reserve Board significant latitude to allow the economy to gain some momentum before they begin to resume an upward bias.

The Company's investment portfolio is well positioned for the current interest rate environment. The portfolio is well diversified and comprised of high quality, relatively stable assets. The Company opportunistically added exposure in investment grade corporate securities at historically wide spreads in 2002 in addition to investing in structured securities with moderate interest rate sensitivity. It is the Company's philosophy and intent to maintain its proactive portfolio management policies in an ongoing effort to ensure the quality and performance of its investments.

Liabilities

December 31 *(in $ millions)*	2002	2001
Policy liabilities	$ 19,407	$ 19,679
Net deferred gains on portfolio investments sold	144	131
Other general fund liabilities	1,916	2,281
Total liabilities	$ 21,467	$ 22,091

Policy Liabilities

Policy liabilities are down 1.4% from December 31, 2001 to $19.4 billion at December 31, 2002, primarily from the difference in U.S. exchange rates.

Other General Fund Liabilities *(in $ millions)*

December 31	2002	2001
Current income taxes	$ 2	$ 128
Repurchase agreements	511	400
Commercial paper and other loans	429	433
Other liabilities	974	1,320
Total other general fund liabilities	$ 1,916	$ 2,281

Total other general fund liabilities were $1.9 billion at December 31, 2002, down 16% from December 31, 2001. Other liabilities, at $974 million, decreased $346 million from December 31, 2001. This grouping of accounts consists of accruals, payables and policyholder deposits not yet allocated. The decrease in 2002 is primarily the result of brokerage settlement accruals being lower by $149 million, a decrease in bank overdrafts of $69 million and policyholder deposits not yet allocated lower by $87 million.

Commercial paper and other loans at $429 million are essentially unchanged from December 31, 2001 values.

Liquidity

The liquidity needs of the United States operations of the Company are closely managed through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets. Approximately 89% of policy liabilities are either non-cashable prior to maturity, subject to market value adjustments, or subject to withdrawal penalties.

At December 31, 2002, United States operations had $511 million of repurchase agreements with third-party broker-dealers, compared with $400 million at December 31, 2001; and had $153 million of outstanding commercial paper at December 31, 2002, compared with $154 million at December 31, 2001.

Additional liquidity is available through established lines of credit and through the demonstrated ability of the Company to access the capital markets.

Liquid Assets *(in $ millions)*

December 31	2002 Balance Sheet Value	2002 Market Value	2001 Balance Sheet Value	2001 Market Value
Cash & certificates of deposit	$ 333	$ 333	$ 448	$ 448
Highly marketable securities				
Government bonds	4,017	4,135	3,566	3,603
Corporate bonds	9,435	9,818	7,658	7,778
Common/Preferred shares	163	143	119	117
Total	$ 13,948	$ 14,429	$ 11,791	$ 11,946

Cashable Liability Characteristics *(in $ millions)*

December 31	2002	2001
Surrenderable insurance and annuity liabilities		
At market value	$ 6,874	$ 6,812
At book value	6,791	6,859
Total	$ 13,665	$ 13,671

Business Segments – GWL&A

Employee Benefits

Consolidated Net Income *(in $ millions)*

Years ended December 31	2002	2001
Income:		
Premium income	$ 1,577	$ 1,708
Net investment income	109	106
Fee and other income	1,036	1,105
Total income	2,722	2,919
Benefits and Expenses:		
Paid or credited to policyholders	1,208	1,439
Other	1,139	1,208
Special Charges	–	204
Net operating income before income taxes	375	68
Income taxes	125	18
Net income before non-controlling interests	250	50
Non-controlling interests	–	–
Net income before goodwill amortization	250	50
Amortization of goodwill	–	2
Net income	$ 250	$ 48

Summary of Net Income

	2002	2001
Preferred shareholder dividends	$ –	$ –
Net income – common shareholders	250	48
Net income	$ 250	$ 48

Net income for Employee Benefits increased 16% in 2002, after adjusting 2001 for goodwill amortization charges of $2 million and a one-time charge of $133 million and operating losses of $32 million, net of tax, recorded in 2001 related to Alta, as discussed below.

While medical costs and utilization trends were higher in 2002, increased pricing helped to enhance the morbidity results. Overall group life and health membership was down 14.8%, reflecting strong renewal rate action and the general decline in the economy.

Employee Benefits – Divisional Summary *(in $ millions)*

Years ended December 31	Premiums and Deposits			Sales		
	2002	2001	% Change	2002	2001	% Change
Business/Product						
Group life and health – guaranteed	$ 1,577	$ 1,708	-8%	$ –	$ –	–
– ASO	8,209	8,861	-7%	1,176	1,014	16%
Group life and health fee income	1,036	1,105	-6%	–	–	–
Total	$ 10,822	$ 11,674	-7%	$ 1,176	$ 1,014	16%

Group Life and Health

The 2002 premiums and deposits for group life and health were $9.8 billion, a decrease of 7% from 2001, due to lower membership levels associated with lower case sales.

The Company acquired Alta on July 8, 1998. During 2000 and 2001, the Alta business continued to be run as a free-standing unit, but was converted to the Company's systems and accounting processes. This conversion program resulted in significant issues related to pricing, underwriting, and administration of the business. As a result, the Company incurred a one-time charge, in 2001, of $133 million, net of tax. Alta discontinued writing new business and all Alta customers were moved to GWL&A contracts. All Alta sales and administration staff became employees of the Company and the underwriting functions are now conducted by the underwriting staff of the Company. Alta's morbidity experience improved in the fourth quarter of 2001 and in 2002 as the result of pricing changes initiated during 2001.

Fee income decreased 6% from $1.1 billion in 2001 to $1.0 billion in 2002. The decrease is primarily attributable to the 14.8% decline in membership. Significant price increases on in-force cases, however, mitigated further deterioration of fee income.

Benefits and expenses decreased 11.3% from $2.6 billion in 2001 to $2.3 billion in 2002. While increased utilization and higher medical costs increased benefits on in-force cases, the decrease in overall membership resulted in a reduction of benefits. Operating expenses decreased $88 million in 2002, as the Company needed to reduce expenses in line with the reduction in membership.

The total life and health block of business is comprised of 2.2 million members at December 31, 2002, down from 2.6 million members a year ago.

Risk Analysis and Management – Healthcare risks include medical cost inflation, which may exceed annual pricing adjustments to policyholders. In addition, changes in utilization may impact health care costs. These utilization trends can be attributable to adjustments in healthcare delivery systems, such as the development of new practice standards or breakthrough treatments. Furthermore, changes to product design may also impact utilization trends. These changes include amendments that modify covered benefits or funding changes that shift financial burden from the employer to the employee.

The Company manages some of these risks through medical cost management, product design, and underwriting management. The Company manages medical costs through dedicated provider contracting. In addition, the Company continues to invest in enhanced care management programs. Product designs that shift healthcare costs to members typically help control utilization. Medical underwriting by case risk has also been expanded. Through the combination of medical cost management, product design, and underwriting management, the Company strives to ensure continued profitability.

Outlook – Employee Benefits

At GWL&A, remaining competitive means focusing on the core disciplines that provide value to our clients, specifically: healthcare cost management, underwriting and product design management, and sales force management. The Company also knows administrative costs must remain in keeping with industry standards.

Contracting efforts are critical to the Company's value equation in an environment of escalating medical costs. That is why in 2003, the Company will increase spending to evaluate provider networks and provider recontracting. The Company will also continue to expand healthcare

management/disease management programs for members with diabetes, asthma, coronary heart disease and other chronic illnesses.

The Company has expanded medical underwriting to ensure pricing is consistent with healthcare risk, an item that is difficult to estimate on smaller cases. Therefore the Company is reducing its focus on cases with fewer than 50 members in 2003.

GWL&A continues to evaluate product design. The three-tier prescription drug program launched in 2001 proved very attractive to its clients and will continue in 2003. The Company reaffirms its commitment to traditional, self-funded health plans and will reduce complex, hybrid self-funded options. As an answer to rising costs, the Company continues to explore product design options that shift healthcare cost from the employer to the employee.

The sales force reorganization will continue in 2003. The Company has discontinued new sales under the Alta, General American, and New England names because multiple distribution channels are costly and increase brand confusion. Instead, the Company has combined these teams with GWL&A's to create a unified GWL&A sales force organized along distribution channels. Likewise, resources will be invested to enhance the Great-West Life & Annuity brand identity.

GWL&A remains focused on reducing administrative costs. In 2002, the Employee Benefits segment achieved three main productivity improvements: 1) reduced full-time equivalents (FTEs) from over 6,600 in 2001 to fewer than 4,900 in 2002; 2) enhanced efficiencies through online billing and other Internet-enabled functions; and 3) increased claims payment efficiency. The Company anticipates similar productivity strides in 2003 as a result of ongoing investments in process improvement and continued sales and claims payment office consolidation.

One challenge facing the Company in April 2003, and also affecting all other carriers in the industry, is the significant implementation and administrative cost associated with Administrative Simplification compliance federally mandated in HIPAA (the Health Insurance Portability and Accountability Act of 1996).

Total net income for Financial Services increased 1% in

Financial Services

Consolidated Net Income *(in $ millions)*
Years ended December 31

	2002			2001		
	Shareholder	Participating Policyholder	Total	Shareholder	Participating Policyholder	Total
Income:						
Premium income	$ 1,016	$ 396	$ 1,412	$ 893	$ 425	$ 1,318
Net investment income	824	561	1,385	831	534	1,365
Fee and other income	350	–	350	362	–	362
Total income	2,190	957	3,147	2,086	959	3,045
Benefits and Expenses:						
Paid or credited to policyholders	1,484	925	2,409	1,359	926	2,285
Other	347	21	368	382	22	404
Net operating income before income taxes	359	11	370	345	11	356
Income taxes	112	1	113	101	9	110
Net income before non-controlling interests	247	10	257	244	2	246
Non-controlling interests	–	10	10	–	2	2
Net income before goodwill amortization	247	–	247	244	–	244
Amortization of goodwill	–	–	–	1	–	1
Net income	$ 247	$ –	$ 247	$ 243	$ –	$ 243

Summary of Net Income

Preferred shareholder dividends	$ –	$ –	$ –	$ –	$ –	$ –
Net income – common shareholders	247	–	247	243	–	243
Net income	$ 247	$ –	$ 247	$ 243	$ –	$ 243

2002, after adjusting 2001 for goodwill amortization charges of $1 million. The overall results increased from 2001 primarily as the result of currency exchange rates. An increase in interest margins in 2002 and a decrease in operating expenses were offset by a reduction of fees due to weak U.S. equity markets.

Premium income has increased 7% over the prior year primarily due to public/non-profit guaranteed business growth of $199 million partially offset by a reduction in individual insurance business of $83 million. Net investment income increased by $20 million, primarily in the participating account which was up $27 million due to the growth in policy reserves. The shareholder decrease of $7 million was associated with a reduction of policy reserves, although net interest margins were higher. Fee income decreased $12 million in the current year due to the drop in U.S. equity markets which more than offset new cash flow. Benefits paid or credited to policyholders increased 5% primarily from the public/non-profit business increase in policy reserves. Other benefits and expenses are down 9% from 2001 due to effective expense management that reduced operating expenses $16 million.

Sales and premium income results are discussed below by major business unit. Overall, 2002 sales including separate account sales, were down due to lower BOLI sales caused by lower interest rates for fixed products and a weak U.S. equity market.

A regulated percentage of returns in the participating account is credited to the shareholder account. In 2002 the amount credited was $9.4 million, down slightly from $10.4 million in 2001.

Financial Services – Divisional Summary *(in $ millions)*

Years ended December 31	Premiums and Deposits			Sales		
	2002	2001	% Change	**2002**	2001	% Change
Business/Product						
Savings	$ 2,312	$ 1,926	20%	$ 779	$ 1,025	-24%
Savings fee income	185	185	–	–	–	–
Insurance	757	1,573	-52%	225	867	-74%
Insurance fee income	28	28	–	–	–	–
401(k)	2,206	2,838	-22%	993	1,169	-15%
401(k) fee income	137	149	-8%	–	–	–
Total	$ 5,625	$ 6,699	-16%	$ 1,997	$ 3,061	-35%

Savings

Premiums and deposits totaled $2.3 billion in 2002, an increase of 20% from 2001. This included one large case sale, which accounted for the majority of the growth. Premiums from separate account products were $1.4 billion in 2002, compared to $1.2 billion in 2001, while fixed premiums totaled $883 million in 2002 and $703 million in 2001.

Savings fee income of $185 million has remained relatively unchanged from 2001. The decrease in fees resulting from the weak equity markets was more than offset by increased fees from the additional assets in the Stable Value Funds and by the growth in assets and lives in the third-party administration business.

The Financial Services core savings business is in the public/non-profit (P/NP) pension market. The assets of the P/NP business, including separate accounts, decreased 2.7% during 2002 to $12.7 billion. Fixed assets remained relatively unchanged at $6.1 billion. Separate account assets increased in 2002 primarily in the Stable Value Funds which provide a more conservative investment opportunity. A majority of the increase was primarily attributable to one large case sale in 2002. Variable assets in the segregated funds decreased from $6.9 billion in 2001 to $6.6 billion in 2002 as a result of the lower U.S. equity markets.

The Company continues to expand the investment products available through its subsidiary mutual fund company, Maxim Series Fund, Inc., and partnership arrangements with external fund managers. Externally managed funds offered to participants in 2002 included American Century, Ariel, Fidelity, Founders, INVESCO, Janus, Loomis Sayles, Oppenheimer, Templeton, T. Rowe Price and Vista.

Customer participation in fixed income segregated funds increased, as many customers prefer the combination of the security of fixed income securities and segregated funds assets. Assets under management for these segregated funds totaled $2.6 billion in 2002, compared to $1.9 billion in 2001.

FASCorp administered records for approximately 2.2 million participants in both 2002 and 2001.

Sales of Charles Schwab, Inc. annuities of $314 million were down from 2001, as market volatility kept investor interest low.

Risk Analysis and Management – Fixed margins are protected through the use of specific guaranteed certificates and proper matching of assets and liabilities. Emphasis is placed on retention of major cases and the corresponding maturity of certificates of these cases. Expense management programs are constantly monitored to control unit costs in the third-party administration business segment.

Life Insurance

Individual life insurance revenue premiums and deposits decreased from $1.6 billion in 2001 to $757 million in 2002. In 2002, the insurance lines experienced a decrease in variable life insurance funds deposits from $999 million in 2001 to $267 million in 2002. Of the decrease in premiums and deposits in 2002, the majority was driven by lower sales of the BOLI product which had a decrease of $595 million in annual sales premium. Lower interest rates and weak U.S. equity markets were also contributors to the lower premiums and deposits in BOLI and other individual markets.

In 2002, the Company continued its efforts to partner with large financial institutions to deliver term life insurance to the mass market. This strategy allows the Company to offer simple life insurance products through established institutional channels. Bank sales of life insurance in 2002 grew to 53,377 policies compared to 32,705 sold in 2001. Although the sales numbers have increased 63% in 2002, these policies have very low annual premiums compared to BOLI policies.

In 1996, the U.S. Congress enacted legislation to phase out the tax deductibility of interest on policy loans on COLI products. As a result of these legislative changes, the Company has shifted its emphasis from COLI to new sales in the BOLI market. The Company continues working closely with existing COLI customers to determine the options available to them and is confident that the effect of the legislative changes will not have a material impact on the Company's operations.

The Company continues to develop the institutional marketing for life insurance through customers such as Charles Schwab, Inc., and certain Internet-based brokers, such as QuoteSmith.com. In 2002, the number of institutional policies in force increased to 18,829 from 14,851 in 2001.

Risk Analysis and Management – The traditional lines of life insurance are no longer actively marketed. Various programs have been introduced emphasizing retention of the business. On new sales in the institutional markets, reinsurance has been obtained for at least 50% of the mortality risk.

In the large case BOLI business, the risk associated with surrenders is protected by the income tax consequences of surrendering the policy and through contract provisions which restrict the availability of funds for withdrawal.

401(k)

The 401(k) new case sales decreased from 598 in 2001 to 493 in 2002 which, in conjunction with higher terminations, led to a net case decline for 2002. The total 401(k) block of business under administration is comprised of 6,012 employer groups and more than 477,000 individual participants, compared to 6,447 employer groups and more than 545,000 individual participants in 2001.

During 2002, the in-force block of 401(k) business continued to have higher terminations, which resulted in persistency of 84%, compared to 87% in 2001. Total assets under administration decreased from $11.2 billion to $8.9 billion. The decrease in assets is primarily attributed to weakening equity markets in the U.S.

Participants can elect to contribute funds to either GWL&A's internally managed funds or to externally managed funds from recognized mutual fund companies such as AIM, Fidelity, Putnam, American Century, Janus, INVESCO, and Dreyfus. The Company continues to review investment opportunities for participants. The 401(k) products currently offered permit the customer to choose from products with and without variable asset charges and allow participants to access a self-directed brokerage account.

The Company has implemented a new marketing and customer support strategy at the end of 2002, designed to target 401(k) sales and add customer relationship managers to maintain ongoing relationships with new and existing customers. The goal of the strategy is to develop stronger and more focused relationships with 401(k) customers and improve persistency.

Risk Analysis and Management – The Company managed the impact of the variability of 401(k) fee revenue caused by market fluctuations through increasing the proportion of its business using products without a variable asset charge. In addition, the Company protects itself from risks associated with early surrenders through contract fees and termination charges.

Outlook – Financial Services

The current market trend of replacing existing defined benefit plans with defined contribution plans is expected to provide marketing opportunities in the future. The Company has participated in proposals for the few cases that have converted and has had success with its current marketing strategy.

Continued emphasis on expense management and effective customer service will allow the Company to remain competitive in the market.

Individual bank policy sales are expected to grow over the number of policies sold in 2002. Distribution channels are presently established in several large banks and management plans to expand into additional banks in 2003.

Sales are expected to grow in the 401(k) area in 2003 due to changes in the sales model. Terminations in the block should stabilize as a result of the customer support strategy implemented at the end of 2002.

Corporate

Consolidated Net Income *(in $ millions)*

Years ended December 31	2002	2001
Income:		
Premium income	$ –	$ –
Net investment income	(5)	(10)
Fee and other income	1	–
Total income	(4)	(10)
Benefits and Expenses:		
Paid or credited to policyholders	(2)	(2)
Other	9	14
Net operating income before income taxes	(11)	(22)
Income taxes	(4)	1
Net income before non-controlling interests	(7)	(23)
Non-controlling interests	–	–
Net income before goodwill amortization	(7)	(23)
Amortization of goodwill	–	1
Net income	$ (7)	$ (24)

Summary of Net Income

	2002	2001
Preferred shareholder dividends	$ –	$ 1
Net income – common shareholders	(7)	(25)
Net income	$ (7)	$ (24)

The Corporate segment includes investment income, expenses and charges related to capital and other assets not associated with major business units, forward foreign exchange contracts, U.S. withholding taxes on dividends, and prior years' tax adjustments, as well as any U.S. related business activities of Lifeco.

Net loss for the Corporate segment of United States shareholder operations in 2002 was $7 million, compared to a net loss of $24 million after adjusting for goodwill amortization charges of $1 million for 2001, primarily reflecting the net settlement of forward foreign exchange contracts, which are described in note 1(c) to the financial statements. This segment also benefited from a reduction in withholding taxes in 2002 and credits associated with prior year income taxes.

Consolidated Financial Statements

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Management's Responsibility

The consolidated financial statements are the responsibility of management and are prepared in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in the annual report is consistent with that in the consolidated financial statements. The financial statements necessarily include amounts that are based on management's best estimate due to dependency on subsequent events. These estimates are based on careful judgements and have been properly reflected in the financial statements. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the financial statements fairly reflect the financial position and results of operations of the Company within reasonable limits of materiality.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that the financial information produced is relevant and reliable.

The consolidated financial statements were approved by the Board of Directors, which has overall responsibility for their contents. The Board of Directors is assisted with this responsibility by its Audit Committee, which consists entirely of non-management Directors. The function of the Audit Committee is to:

- Review the quarterly and annual financial statements and recommend them for approval to the Board of Directors.
- Review the systems of internal control and security.
- Recommend the appointment of the external auditors and their fee arrangements to the Board of Directors.
- Review other audit, accounting, financial and security matters as required.

In carrying out the above responsibilities, this Committee meets regularly with management, and with both the Company's external and internal auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Committee is readily accessible to the external and internal auditors.

The Board of Directors of each of the principal operating subsidiaries, The Great-West Life Assurance Company, and Great-West Life & Annuity Insurance Company, appoints an actuary who is a Fellow of the Canadian Institute of Actuaries. The actuary:

- Ensures that the assumptions and methods used in the valuation of policy liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations or directives.
- Provides an opinion regarding the appropriateness of the policy liabilities at the balance sheet date to meet all policyholder obligations of the Company. Examination of supporting data for accuracy and completeness and analysis of Company assets for their ability to support the amount of policy liabilities are important elements of the work required to form this opinion.

Deloitte & Touche LLP Chartered Accountants, as the Company's external auditors, have audited the consolidated financial statements. The Auditors' Report to the Shareholders is presented following the financial statements. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary in order to obtain reasonable assurance that the consolidated financial statements are free of material misstatement and present fairly the financial position of the Company in accordance with generally accepted accounting principles.

Raymond L. McFeetors
Co-President and Chief Executive Officer

William T. McCallum
Co-President and Chief Executive Officer

William W. Lovatt
Vice-President Finance, Canada

Mitchell T.G. Graye
Vice-President Finance, United States

January 30, 2003

Summary of Consolidated Operations

(in millions of dollars except earnings per common share)

	For the years ended December 31 2002	2001
Income		
Premium income	$ 11,187	$ 10,477
Net investment income	3,638	3,713
Fee and other income	1,807	1,858
	16,632	16,048
Benefits and Expenses		
Paid or credited to policyholders and beneficiaries including policyholder dividends and experience refunds	12,593	12,030
Commissions	718	696
Operating expenses	1,786	1,941
Premium taxes	109	124
Special charges *(note 19)*	–	204
Net operating income before income taxes	1,426	1,053
Income taxes – current	397	427
– future	33	(30)
Net income before non-controlling interests	996	656
Non-controlling interests *(note 7)*	34	44
Net income before amortization of goodwill	962	612
Amortization of goodwill	–	66
Net income	$ 962	$ 546
Earnings per Common Share *(note 11)*		
Basic	$ 2.530	$ 1.387
Diluted	$ 2.499	$ 1.365

Summary of Net Income

	2002	2001
Preferred shareholder dividends	$ 31	$ 31
Net income – common shareholders	931	515
Net income	$ 962	$ 546

Consolidated Balance Sheet

(in millions of dollars)

	December 31	
	2002	2001
Assets		
Bonds *(note 2)*	$ 33,764	$ 32,581
Mortgage loans *(note 2)*	7,850	8,369
Stocks *(note 2)*	1,581	1,379
Real estate *(note 2)*	1,267	1,272
Loans to policyholders	6,177	6,213
Cash and certificates of deposit	912	837
Funds withheld by ceding insurers	4,786	4,477
Premiums in course of collection	305	410
Interest due and accrued	511	543
Future income taxes *(note 13)*	138	317
Goodwill and intangible assets *(note 4)*	1,687	1,604
Other assets	1,093	1,157
Total assets	$ 60,071	$ 59,159

Approved by the Board:

Director *Director*

Consolidated Balance Sheet

(in millions of dollars)

	December 31 2002	December 31 2001
Liabilities		
Policy liabilities		
Actuarial liabilities *(note 5)*	$ 44,508	$ 43,909
Provision for claims	645	753
Provision for policyholder dividends	363	355
Provision for experience rating refunds	927	834
Policyholder funds	1,853	1,748
	48,296	47,599
Commercial paper and other loans *(note 6)*	1,012	1,075
Current income taxes	454	508
Other liabilities	2,081	2,181
Repurchase agreements	511	400
Net deferred gains on portfolio investments sold *(note 2)*	958	1,049
	53,312	52,812
Non-controlling interests *(note 7)*	2,051	1,950
Capital Stock and Surplus		
Capital stock *(note 8)*	1,982	2,083
Surplus	2,382	1,951
Provision for unrealized gain on translation of net investment in foreign operations	344	363
	4,708	4,397
Liabilities, capital stock and surplus	$ 60,071	$ 59,159

Consolidated Statement of Surplus

(in millions of dollars)

	For the years ended December 31	
	2002	2001
Balance, beginning of year	$ 1,951	$ 1,868
Net income	962	546
Acquisition discount – preferred shares of subsidiary	–	1
Issue costs of subsidiary, net of tax *(note 7)*	(3)	–
Common share cancellation excess *(note 8)*	(149)	(144)
Dividends to shareholders		
Preferred shareholders	(31)	(31)
Common shareholders	(348)	(289)
Balance, end of year	$ 2,382	$ 1,951

Consolidated Statement of Cash Flows

(in millions of dollars)

	For the years ended December 31 2002	2001
Operations		
Net income	$ 962	$ 546
Adjustments for non-cash items:		
Change in policy liabilities	954	1,357
Change in funds withheld by ceding insurers	(309)	(922)
Change in current income taxes payable	(63)	71
Future income tax expense	33	(30)
Amortization of goodwill	–	66
Other	(183)	612
Cash flows from operations	1,394	1,700
Financing Activities		
Issue of common shares	18	17
Issue of Great-West Life Capital Trust securities	350	–
Purchased and cancelled common shares	(169)	(164)
Redemption of preferred shares	(100)	–
Redemption of preferred shares of subsidiary	(250)	(221)
Issue of debentures	–	200
Repayment of commercial paper and other loans	(60)	(33)
Issue costs of subsidiary	(5)	–
Dividends paid	(379)	(320)
	(595)	(521)
Investment Activities		
Bond sales and maturities	21,498	17,843
Mortgage loan repayments	1,695	2,110
Stock sales	373	465
Real estate sales	42	172
Change in loans to policyholders	(4)	(359)
Change in repurchase agreements	108	389
Investment in subsidiaries	72	(15)
Investment in bonds	(22,672)	(19,225)
Investment in mortgage loans	(1,159)	(1,633)
Investment in stocks	(637)	(629)
Investment in real estate	(40)	(200)
	(724)	(1,082)
Increase in cash and certificates of deposit	75	97
Cash and certificates of deposit, beginning of year	837	740
Cash and certificates of deposit, end of year	$ 912	$ 837
Supplementary Cash Flow Information		
Income taxes paid (net of refunds)	$ 390	$ 330
Interest paid	$ 59	$ 49

($ amounts in millions except per share amounts)

1. Basis of Presentation and Summary of Accounting Policies

The consolidated financial statements of Great-West Lifeco Inc. (Lifeco or the Company) have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of its subsidiary companies, The Great-West Life Assurance Company (Great-West) and Great-West Life & Annuity Insurance Company (GWL&A). The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant accounting policies are as follows:

(a) Portfolio Investments

Investments in bonds and mortgage loans (debt securities) are carried at amortized cost net of any allowance for credit losses. The difference between the proceeds on the sale of a debt security and its amortized cost is considered to be an adjustment of future portfolio yield. Net realized gains and losses are included in Net Deferred Gains on Portfolio Investments Sold and are deferred and amortized over the period to maturity of the security sold.

Investments in stocks (equity securities) are carried at cost plus a moving average market value adjustment of $28 ($31 in 2001). Net realized gains and losses are included in Net Deferred Gains on Portfolio Investments Sold and are deferred and amortized to income on a declining-balance basis. Market values for public stocks are generally determined by the closing sale price of the security on the exchange where it is principally traded. Market values for stocks for which there is no active market are determined by management.

Investments in real estate are carried at cost net of write-downs and allowances for loss, plus a moving average market value adjustment of $82 ($65 in 2001). Net realized gains and losses are included in Net Deferred Gains on Portfolio Investments Sold and are deferred and amortized to income on a declining-balance basis. Market values for all properties are determined annually by management based on a combination of the most recent independent appraisal and current market data available. Appraisals of all properties are conducted at least once every three years by independent qualified appraisers.

Effective July 1, 2002, the Company has implemented revised OSFI rates used to calculate the moving average market value adjustment for stocks and real estate. The rate used to adjust stocks towards market value has been changed from 15% per annum to 5% per quarter and the rate used to adjust real estate towards market value has been changed from 10% per annum to 3% per quarter. This change in accounting estimate has been applied prospectively and does not have a material effect on the financial statements of the Company.

(b) Derivative Financial Instruments

The Company uses derivative products as risk management instruments to hedge or manage asset and liability positions including revenues within guidelines which prohibit their use for speculative trading purposes.

The Company documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking derivatives that are used in hedging transactions to specific assets and liabilities on the balance sheet or to specific firm commitments or transactions. The Company also assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items.

Derivative financial instruments used by the Company are summarized in note 14.

The accounting policies for derivative financial instruments used for hedging correspond to those used for the underlying hedged position. In the event a designated hedged item is sold, extinguished, matures or ceases to be effective prior to the termination of the related derivative instrument, any subsequent realized or unrealized gains or losses on such derivative instruments are recognized in income.

(c) Foreign Currency Translation

During 2002, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1650 Foreign Currency Translation. The amended standards eliminate the deferral and amortization approach to exchange gains and losses on long-term monetary items and require the disclosure of exchange gains and losses included in the calculation of net income. There is no material effect of this change in accounting policy on the financial statements of the Company.

The Company follows the current rate method of foreign currency translation for its net investment in its self-sustaining foreign operations. Under this method, assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet dates and all income and expense items are translated at an average of daily rates. United States assets and liabilities have been translated into Canadian dollars at the December 31, 2002 market rate of $1.5800 ($1.5930 in 2001) and all United States income and expense items have been translated at an average rate of $1.5700 ($1.5490 in 2001). The provision for unrealized gain of $344 ($363 in 2001) on foreign currency translation of the Company's net investment in its foreign operations is recorded separately on the Consolidated Balance Sheet.

The Company has entered into certain daily average rate forward exchange contracts to manage volatility associated with the translation of its United States operations into Canadian dollars. Net realized foreign exchange gains and losses are included in net investment income. In total, foreign exchange pre-tax losses of $22 ($37 in 2001) are included in net investment income.

(d) Loans to Policyholders

Loans to policyholders are shown at their unpaid balance, are fully secured by the cash surrender values of the policies and have effective interest rates ranging from 5% to 8% (5% to 9% in 2001).

(e) Funds Withheld by Ceding Insurers

Under certain forms of reinsurance contracts, it is customary for the ceding insurer to retain possession of the assets supporting the liabilities ceded. The Company records an amount receivable from the ceding insurer representing the premium due. Investment revenue on these funds withheld is credited to the Company by the ceding insurer.

(f) Goodwill and Intangible Assets

During 2002, the Company adopted the recommendations of the CICA Handbook Section 1581 Business Combinations and 3062 Goodwill and Other Intangible Assets.

In accordance with the requirements of the new standards, during 2002, the Company:

- analyzed existing goodwill and reclassified items that should be recognized as separate intangible assets;
- completed impairment testing of all indefinite life intangible assets;
- ceased amortizing goodwill and indefinite life intangible assets;
- allocated goodwill to reporting units and completed the related transitional impairment testing of allocated goodwill;
- established October 1 as the date of the annual impairment testing of allocated goodwill and intangible assets.

No impairment loss resulted from the transitional or annual impairment testing. Other than the elimination of goodwill amortization charges from the Summary of Consolidated Operations, and the reclassifications on the Consolidated Balance Sheet as described in note 4, the new standards had no impact on the Company's financial statements.

($ amounts in millions except per share amounts)

1. Basis of Presentation and Summary of Accounting Policies *(cont'd)*

The following table provides a reconciliation between reported net income, basic earnings per share and diluted earnings per share adjusted to exclude the amortization of goodwill, on an after-tax basis:

	2002	2001
Net income:		
Reported net income	$ 962	$ 546
Add back: amortization of goodwill, net of tax	–	66
Net income adjusted for amortization of goodwill	$ 962	$ 612
Basic earnings per common share:		
Reported earnings per common share	$ 2.530	$ 1.387
Add back: amortization of goodwill, net of tax	–	0.177
Basic earnings per common share adjusted for amortization of goodwill	$ 2.530	$ 1.564
Diluted earnings per common share:		
Reported diluted earnings per common share	$ 2.499	$ 1.365
Add back: amortization of goodwill, net of tax	–	0.174
Diluted earnings per common share adjusted for amortization of goodwill	$ 2.499	$ 1.539

(g) Income Taxes

The Company uses the liability method of income tax allocation. Current income taxes are based on taxable income and future income taxes are based on taxable temporary differences. The income tax rates used to measure income tax assets and liabilities are those rates enacted or substantially enacted at the balance sheet date.

(h) Actuarial Liabilities

During 2001, the Company adopted the new standards of the CICA Handbook Section 4210 Life Insurance Enterprises – Specific Items. The Canadian Asset Liability Method is used for valuing actuarial liabilities. There was no material effect of this change on the financial statements of the Company.

(i) Repurchase Agreements

The Company enters into repurchase agreements with third-party broker-dealers in which the Company sells securities and agrees to repurchase substantially similar securities at a specified date and price. Such agreements are accounted for as investment financings.

(j) Pension Plans and Other Post Retirement Benefits

The Company maintains contributory and non-contributory defined benefit pension plans for certain of its employees and agents. The plans provide pensions based on length of service and final average earnings. The cost of the defined benefits is actuarially determined and accrued using the projected benefit method pro-rated on service. The current cost of pension benefits is charged to earnings. Adjustments arising from plan amendments or experience gains or losses are amortized over the expected average remaining service life of the employee/agent group. Experience gains and losses are calculated using a market related value of assets. Plan assets are carried at market values and are held in separate trusteed pension funds.

The Company also provides post retirement health and life insurance benefits to eligible employees, agents and their dependents. The cost of all post retirement benefits other than pensions is actuarially determined and accrued using the projected benefit method pro-rated for service and is recognized over the periods of employee service. The current cost of post retirement health and life insurance benefits is charged to earnings.

($ amounts in millions except per share amounts)

(k) Stock Based Compensation

The Company provides compensation to certain employees of the Company and its affiliates in the form of stock options, which is described in note 9. During 2002, the Company adopted the recommendations of the CICA Handbook Section 3870 Stock-Based Compensation and Other Stock-Based Payments. The new standard permits the use of the fair value based method or an intrinsic value based method of accounting for employee stock-based compensation. When an intrinsic value based method of accounting is used pro forma net income and pro forma earnings per share must be disclosed as if the fair value based method of accounting had been used to account for stock-based compensation cost. The Company has elected to apply the intrinsic value based method of accounting for employee stock-based compensation.

(l) Earnings Per Common Share

During 2001, the Company adopted the recommendations of the CICA Handbook Section 3500 Earnings Per Share which resulted in the presentation of basic and diluted earnings per share on the Summary of Consolidated Operations regardless of the materiality of the difference between them. The treasury stock method is used for calculating diluted earnings per share. This change in accounting policy was applied retroactively. The impact of this change in accounting policy to the financial statements was not material.

(m) Geographic Segmentation

The Company has significant operations in Canada and the United States. Operations in other countries are reported with Canadian operations.

(n) Comparative Figures

Certain of the 2001 amounts presented for comparative purposes have been reclassified to conform with the presentation adopted in the current year.

2. Portfolio Investments

(a) Carrying values and estimated market values of portfolio investments are as follows:

		2002			
		Balance Sheet Value			Market Value
		Canada	United States	Total	Total
Bonds	– government	$ 7,721	$ 5,278	$ 12,999	$ 13,675
	– corporate	9,393	11,372	20,765	21,658
		17,114	16,650	33,764	35,333
Mortgage loans	– residential single family	2,100	–	2,100	2,131
	– residential apartments	2,670	123	2,793	2,991
	– retail and shopping centres	965	220	1,185	1,258
	– office buildings	755	182	937	1,065
	– industrial	591	57	648	697
	– other	109	78	187	205
		7,190	660	7,850	8,347
Stocks	– public	1,284	117	1,401	1,400
	– private	130	50	180	166
		1,414	167	1,581	1,566
Real estate		1,080	187	1,267	1,481
		$ 26,798	$ 17,664	$ 44,462	$ 46,727

($ amounts in millions except per share amounts)

2. Portfolio Investments *(cont'd)*

		2001			
		Balance Sheet Value			Market Value
		Canada	United States	Total	Total
Bonds	– government	$ 6,124	$ 5,012	$ 11,136	$ 11,404
	– corporate	10,144	11,301	21,445	21,888
		16,268	16,313	32,581	33,292
Mortgage loans	– residential single family	2,542	–	2,542	2,598
	– residential apartments	2,352	157	2,509	2,634
	– retail and shopping centres	974	347	1,321	1,373
	– office buildings	780	268	1,048	1,162
	– industrial	644	70	714	755
	– other	100	135	235	272
		7,392	977	8,369	8,794
Stocks	– public	1,002	77	1,079	1,124
	– private	250	50	300	286
		1,252	127	1,379	1,410
Real estate		1,072	200	1,272	1,511
		$ 25,984	$ 17,617	$ 43,601	$ 45,007

(b) The significant terms and conditions and interest rate ranges of applicable fixed-term portfolio investments gross of provisions are as follows:

	2002					
	Carrying Value					Effective
	Term to Maturity				Principal	Interest Rate
	1 Year or Less	1-5 Years	Over 5 Years	Total	Amount	Ranges
Short-term bonds	$ 1,739	$ –	$ –	$ 1,739	$ 1,743	1.2%–3.0%
Bonds	1,922	8,818	21,358	32,098	36,229	1.1%–14.5%
Mortgage loans	205	4,392	3,346	7,943	7,960	3.7%–14.0%
	$ 3,866	$ 13,210	$ 24,704	$ 41,780	$ 45,932	
Geographic						
Canada	$ 1,740	$ 8,872	$ 13,770	$ 24,382	$ 27,411	1.2%–14.5%
United States	2,126	4,338	10,934	17,398	18,521	1.1%–12.7%
	$ 3,866	$ 13,210	$ 24,704	$ 41,780	$ 45,932	

	2001					
	Carrying Value					Effective
	Term to Maturity				Principal	Interest Rate
	1 Year or Less	1-5 Years	Over 5 Years	Total	Amount	Ranges
Short-term bonds	$ 1,063	$ –	$ –	$ 1,063	$ 1,065	0.6%–3.1%
Bonds	1,392	7,228	22,931	31,551	35,307	2.0%–14.5%
Mortgage loans	1,659	3,393	3,430	8,482	8,519	3.7%–14.0%
	$ 4,114	$ 10,621	$ 26,361	$ 41,096	$ 44,891	
Geographic						
Canada	$ 2,759	$ 8,056	$ 12,891	$ 23,706	$ 26,590	0.6%–14.5%
United States	1,355	2,565	13,470	17,390	18,301	1.5%–12.0%
	$ 4,114	$ 10,621	$ 26,361	$ 41,096	$ 44,891	

($ amounts in millions except per share amounts)

(c) Included in portfolio investments are the following:

(i) Non-performing loans:

	2002		
	Canada	United States	Total
Asset Class			
Bonds	$ 86	$ 39	$ 125
Mortgage loans	7	4	11
Foreclosed real estate	–	3	3
	$ 93	$ 46	$ 139

	2001		
	Canada	United States	Total
Asset Class			
Bonds	$ 39	$ 113	$ 152
Mortgage loans	10	8	18
Foreclosed real estate	–	17	17
	$ 49	$ 138	$ 187

Non-performing loans include non-accrual loans and foreclosed real estate held for sale. Bond and mortgage investments are reviewed on a loan by loan basis to determine non-performing status. Loans are classified as non-accrual when:

(1) payments are 90 days or more in arrears, except in those cases where, in the opinion of management, there is justification to continue to accrue interest; or
(2) The Company no longer has reasonable assurance of timely collection of the full amount of the principal and interest due; or
(3) modified/restructured loans are not performing in accordance with the contract.

Where appropriate, provisions are established or write-offs made to adjust the carrying value to the net realizable amount. Wherever possible the fair value of collateral underlying the loans or observable market price is used to establish net realizable value.

(ii) Allowance for credit losses:

	2002		
	Canada	United States	Total
Bonds & mortgage loans	$ 78	$ 88	$ 166

	2001		
	Canada	United States	Total
Bonds & mortgage loans	$ 46	$ 100	$ 146

(iii) Changes in the allowance for credit losses are as follows:

	2002		
	Canada	United States	Total
Balance, beginning of year	$ 46	$ 100	$ 146
Provision for credit losses	42	(8)	34
Recoveries of prior write-offs	6	5	11
Write-offs	(16)	(8)	(24)
Other (including foreign exchange rate changes)	–	(1)	(1)
Balance, end of year	$ 78	$ 88	$ 166

($ amounts in millions except per share amounts)

2. Portfolio Investments *(cont'd)*

	2001		
	Canada	United States	Total
Balance, beginning of year	$ 43	$ 104	$ 147
Provision for credit losses	4	–	4
Recoveries of prior write-offs	2	–	2
Write-offs	(4)	(10)	(14)
Other (including foreign exchange rate changes)	1	6	7
Balance, end of year	$ 46	$ 100	$ 146

The allowance for credit losses includes general provisions, established at a level that together with the provision for future credit losses included in actuarial liabilities, reflects the Company's estimate of potential future credit losses.

(d) Investments in real estate include an asset value allowance which provides for deterioration of market values associated with real estate held for investment.

	Canada	United States	Total
As at December 31, 2002	$ 25	$ –	$ 25
As at December 31, 2001	$ 27	$ –	$ 27

(e) Also included in portfolio investments are modified/restructured loans that are performing in accordance with their current terms.

	Canada	United States	Total
As at December 31, 2002	$ 33	$ 150	$ 183
As at December 31, 2001	$ 63	$ 173	$ 236

(f) Net investment income of $3,638 ($3,713 in 2001) includes amortization of net deferred realized gains on portfolio investments and unrealized gains on stocks and real estate as follows:

	2002		
	Canada	**United States**	**Total**
Bonds	$ 81	$ 31	$ 112
Mortgage loans	14	2	16
Stocks	65	6	71
Real estate	19	2	21
	$ 179	$ 41	$ 220

	2001		
	Canada	United States	Total
Bonds	$ 78	$ 12	$ 90
Mortgage loans	17	2	19
Stocks	80	7	87
Real estate	19	2	21
	$ 194	$ 23	$ 217

($ amounts in millions except per share amounts)

(g) The balance of net deferred gains on portfolio investments sold is comprised of the following:

	2002		
	Canada	United States	Total
Bonds	$ 453	$ 86	$ 539
Mortgage loans	30	4	34
Stocks	317	44	361
Real estate	14	10	24
	$ 814	$ 144	$ 958

	2001		
	Canada	United States	Total
Bonds	$ 464	$ 66	$ 530
Mortgage loans	38	4	42
Stocks	408	51	459
Real estate	8	10	18
	$ 918	$ 131	$ 1,049

3. Pledging of Assets

The amount of assets which have a security interest by way of pledging are outlined below by major pledging activity:

	2002		
	Canada	United States	Total
Derivative transactions	$ –	$ 2	$ 2
In respect of real estate	122	–	122
In respect of reinsurance agreements	49	–	49
	$ 171	$ 2	$ 173

	2001		
	Canada	United States	Total
Derivative transactions	$ –	$ 4	$ 4
In respect of real estate	125	–	125
In respect of reinsurance agreements	61	–	61
	$ 186	$ 4	$ 190

($ amounts in millions except per share amounts)

4. Goodwill and Intangible Assets

(a) Goodwill

The carrying value of goodwill and changes in the carrying value of goodwill are as follows:

	2002 Canada	2002 United States	2002 Total
Balance, beginning of year	$ 1,538	$ 66	$ 1,604
Reclassification between goodwill and intangible assets	(529)	–	(529)
Reclassification between goodwill and future taxes	86	–	86
Sale of subsidiary	(3)	–	(3)
Balance, end of year	$ 1,092	$ 66	$ 1,158

	2001 Canada	2001 United States	2001 Total
Balance, beginning of year	$ 1,600	$ 79	$ 1,679
Amortization of goodwill	(62)	(4)	(66)
Goodwill acquired	–	17	17
Goodwill written-off	–	(28)	(28)
Changes in foreign exchange rates	–	2	2
Balance, end of year	$ 1,538	$ 66	$ 1,604

(b) Intangible Assets

The Company has identified indefinite life intangible assets acquired as part of London Insurance Group (LIG) in 1997, which are not subject to amortization. The carrying value of intangible assets and changes in the carrying value of intangible assets for the year ended December 31, 2002 are as follows:

	Canada	United States	Total
Balance, beginning of year	$ –	$ –	$ –
Reclassification from goodwill			
– Brands and trademarks	175	–	175
– Shareholder portion of acquired future Participating account profits	354	–	354
Balance, end of year	$ 529	$ –	$ 529

5. Actuarial Liabilities

(a) Composition of Actuarial Liabilities and Related Supporting Assets

(i) The composition of actuarial liabilities is as follows:

	2002				
	Participating Policyholder		Non-Participating Policyholder		
	Canada	United States	Canada	United States	Total
Group Insurance	$ –	$ –	$ 2,829	$ –	$ 2,829
Individual Insurance & Investment	10,979	–	6,132	–	17,111
Reinsurance	–	–	5,960	–	5,960
Property & Casualty	–	–	–	–	–
Employee Benefits	–	–	–	558	558
Financial Services	–	7,829	–	10,221	18,050
Total	$ 10,979	$ 7,829	$ 14,921	$ 10,779	$ 44,508

($ amounts in millions except per share amounts)

	2001				
	Participating Policyholder		Non-Participating Policyholder		
	Canada	United States	Canada	United States	Total
Group Insurance	$ –	$ –	$ 2,721	$ –	$ 2,721
Individual Insurance & Investment	10,210	–	6,318	–	16,528
Reinsurance	–	–	5,707	–	5,707
Property & Casualty	–	–	30	–	30
Employee Benefits	–	–	–	617	617
Financial Services	–	7,711	–	10,595	18,306
Total	$ 10,210	$ 7,711	$ 14,776	$ 11,212	$ 43,909

(ii) The composition of the assets supporting liabilities and surplus is as follows:

As at December 31, 2002	Canada					
	Bonds	Mortgage Loans	Stocks	Real Estate	Other	Total
Balance Sheet Value						
Participating						
Individual Insurance & Investment	$ 6,021	$ 3,062	$ 130	$ 2	$ 1,764	$ 10,979
Non-Participating						
Group Insurance	1,649	811	96	1	272	2,829
Individual Insurance & Investment	3,463	2,246	219	18	186	6,132
Reinsurance	1,427	–	74	–	4,459	5,960
Property & Casualty	–	–	–	–	–	–
Other	3,581	1,060	807	763	1,541	7,752
Capital and surplus	973	11	88	296	990	2,358
Total Balance Sheet Value	$ 17,114	$ 7,190	$ 1,414	$ 1,080	$ 9,212	$ 36,010
Fair Value	$ 17,954	$ 7,668	$ 1,423	$ 1,269	$ 9,212	$ 37,526

	United States					
	Bonds	Mortgage Loans	Stocks	Real Estate	Other	Total
Balance Sheet Value						
Participating						
Financial Services	$ 3,161	$ 70	$ –	$ –	$ 4,598	$ 7,829
Non-Participating						
Employee Benefits	531	9	–	–	18	558
Financial Services	9,168	525	–	–	528	10,221
Other	1,798	5	16	16	1,268	3,103
Capital and surplus	1,992	51	151	171	(15)	2,350
Total Balance Sheet Value	$ 16,650	$ 660	$ 167	$ 187	$ 6,397	$ 24,061
Fair Value	$ 17,379	$ 679	$ 143	$ 212	$ 6,397	$ 24,810

($ amounts in millions except per share amounts)

5. Actuarial Liabilities *(cont'd)*

As at December 31, 2001	Canada					
	Bonds	Mortgage Loans	Stocks	Real Estate	Other	Total
Balance Sheet Value						
Participating						
Individual Insurance & Investment	$ 5,383	$ 2,824	$ 101	$ 2	$ 1,900	$ 10,210
Non-Participating						
Group Insurance	1,545	808	103	2	263	2,721
Individual Insurance & Investment	3,324	2,438	255	19	282	6,318
Reinsurance	1,532	–	73	–	4,102	5,707
Property & Casualty	30	–	–	–	–	30
Other	3,818	1,268	525	748	1,091	7,450
Capital and surplus	636	54	195	301	1,068	2,254
Total Balance Sheet Value	$ 16,268	$ 7,392	$ 1,252	$ 1,072	$ 8,706	$ 34,690
Fair Value	$ 16,642	$ 7,800	$ 1,293	$ 1,282	$ 8,706	$ 35,723

	United States					
	Bonds	Mortgage Loans	Stocks	Real Estate	Other	Total
Balance Sheet Value						
Participating						
Financial Services	$ 3,048	$ 110	$ –	$ –	$ 4,553	$ 7,711
Non-Participating						
Employee Benefits	578	24	–	–	15	617
Financial Services	9,158	737	–	–	700	10,595
Other	1,789	10	14	20	1,571	3,404
Capital and surplus	1,740	96	113	180	13	2,142
Total Balance Sheet Value	$ 16,313	$ 977	$ 127	$ 200	$ 6,852	$ 24,469
Fair Value	$ 16,650	$ 994	$ 117	$ 229	$ 6,852	$ 24,842

Cash flows of assets supporting actuarial liabilities are matched within reasonable limits. Changes in the fair values of assets are essentially offset by changes in the fair value of actuarial liabilities.

Changes in the fair values of assets backing capital and surplus, less related income taxes, would result in a corresponding change in surplus when realized.

The carrying value of assets backing actuarial liabilities plus the portion of deferred gains associated with actuarial liabilities is $45,029 ($44,453 in 2001). The fair value of these assets is $46,696 ($45,348 in 2001).

($ amounts in millions except per share amounts)

(b) Nature of Actuarial Liabilities

Actuarial liabilities represent the amounts equal to the carrying value of the assets that, taking into account the other pertinent items on the balance sheet, will be sufficient to discharge the Company's obligations over the term of the liability for its insurance policies and to pay expenses related to the administration of those policies. Actuarial liabilities are determined using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries. In accordance with these accepted practices, actuarial liabilities have been determined in accordance with the Canadian Asset Liability Method.

(c) Changes in Actuarial Liabilities

The change in actuarial liabilities is as follows:

	Canada					
	Participating Policyholder		Non-Participating Policyholder		Total	
	2002	2001	2002	2001	2002	2001
Balance, beginning of year	$ 10,210	$ 9,575	$ 14,776	$ 14,019	$ 24,986	$ 23,594
Corporate reorganization	–	–	–	192	–	192
Normal change – new business	11	2	993	884	1,004	886
– in force	758	709	(783)	(490)	(25)	219
Material assumption changes	–	(76)	(34)	–	(34)	(76)
Foreign exchange rate changes	–	–	(2)	171	(2)	171
Sale of subsidiary	–	–	(29)	–	(29)	–
Balance, end of year	$ 10,979	$ 10,210	$ 14,921	$ 14,776	$ 25,900	$ 24,986

In 2002, excess interest rate provisions were released for non-participating policyholders and improved mortality rates were experienced by non-participating policyholders.

In 2001 assumption changes were made in the provision for future participating policyholder obligations.

	United States					
	Participating Policyholder		Non-Participating Policyholder		Total	
	2002	2001	2002	2001	2002	2001
Balance, beginning of year	$ 7,711	$ 6,824	$ 11,212	$ 11,119	$ 18,923	$ 17,943
Corporate reorganization	–	–	–	(192)	–	(192)
Normal change – new business	–	–	56	164	56	164
– in force	180	451	(395)	(535)	(215)	(84)
Foreign exchange rate changes	(62)	436	(94)	656	(156)	1,092
Balance, end of year	$ 7,829	$ 7,711	$ 10,779	$ 11,212	$ 18,608	$ 18,923

(d) Actuarial Assumptions

In the computation of actuarial liabilities, valuation assumptions have been made regarding rates of mortality/morbidity, investment returns, levels of operating expenses and rates of policy termination. The valuation assumptions use best estimates of future experience together with a margin for misestimation and experience deterioration. These margins have been set in accordance with guidelines established by the Canadian Institute of Actuaries and are necessary to provide reasonable assurance that actuarial liabilities are adequate to cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

5. Actuarial Liabilities *(cont'd)*

The methods for arriving at these valuation assumptions are outlined below:

Mortality
A life insurance mortality study is carried out annually, by country, for Canada and the United States. The results of this study are analyzed and used to update the Company's experience valuation mortality tables for life insurance. When there is insufficient data, use is made of the latest industry experience to derive an appropriate valuation mortality rate. Although mortality improvements have been observed for many years, no future improvements have been assumed for life insurance valuation.

Annuitant mortality is also studied regularly and the results used to modify established industry experience annuitant mortality tables. Mortality improvement has been projected to occur throughout future years for annuitants.

Morbidity
The Company uses industry developed experience tables modified to reflect emerging company experience. Both claim incidence and termination are monitored regularly and emerging experience is factored into the current valuation.

Investment returns
The assets which correspond to the different liability categories are segmented. For each segment, projected cash flows from the current assets and liabilities are used in the Canadian Asset Liability Method to determine actuarial liabilities. Cash flows from assets are reduced to provide for asset default losses. Testing under several interest rate scenarios (including increasing and decreasing rates) is done to provide for reinvestment risk.

Expenses
Unit expense studies are updated regularly to determine an appropriate estimate of future cost for the liability type being valued. Expense improvements are not projected. An inflation assumption consistent with the investment return is incorporated in the estimate of future cost.

Policy termination
Studies to determine rates of policy termination are updated regularly to form the basis of this estimate. Industry data is also available and is useful where the Company has no experience with specific types of policies or its exposure is limited. The Company has reflected the emerging trend of lower lapsation on lapse supported benefits in its policy liabilities.

Policyholder dividends
Future policyholder dividends are included in the determination of actuarial liabilities for participating policies. The Actuary has assumed that policyholder dividends will change in the future to reflect the experience of the participating account, consistent with the participating policyholder dividend policy.

(e) **Risk Management**

(i) ***Interest rate risk***
Interest rate risk is managed by effectively matching portfolio investments with liability characteristics. Hedging instruments are employed where necessary when there is a lack of suitable permanent investments to minimize loss exposure to interest rate changes.

(ii) ***Credit risk***
Credit risk is managed through an emphasis on quality in the investment portfolio and by maintenance of issuer, industry and geographic diversification standards.

Projected investment returns are reduced to provide for future credit losses on currently held assets. The net effective yield rate reduction averaged .19% (.19% in 2001) in Canada and .08% (.09% in 2001) in the United States.

($ amounts in millions except per share amounts)

The following outlines the future asset credit losses provided for in actuarial liabilities. These amounts are in addition to the allowance for asset losses included with assets:

	Participating Policyholder		Non-Participating Policyholder		
	Canada	United States	Canada	United States	Total
As at December 31, 2002	$ 281	$ 9	$ 125	$ 25	$ 440
As at December 31, 2001	$ 269	$ 9	$ 105	$ 40	$ 423

(iii) Reinsurance risk

Maximum benefit amount limits (which vary by line of business) are established for life and health insurance and property and casualty insurance and reinsurance is purchased for amounts in excess of those limits.

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to the Company. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk to minimize its exposure to significant losses from reinsurer insolvencies.

As a result of reinsurance, actuarial liabilities have been reduced by the following amounts:

	Participating Policyholder		Non-Participating Policyholder		
	Canada	United States	Canada	United States	Total
As at December 31, 2002	$ 10	$ 31	$ 1,091	$ 247	$ 1,379
As at December 31, 2001	$ 9	$ 31	$ 1,016	$ 260	$ 1,316

(iv) Foreign exchange risk

If the assets backing actuarial liabilities are not matched by currency, changes in foreign exchange rates can expose the Company to the risk of foreign exchange losses not offset by liability decreases. Foreign exchange risk is managed whenever possible by matching assets with related liabilities by currency and through the use of derivative instruments such as forward contracts and cross-currency swaps. These financial instruments allow the Company to modify an asset position to more closely match actual or committed liability currency.

(v) Liquidity risk

Liquidity risk is the risk that the Company will have difficulty raising funds to meet commitments. The liquidity needs of the Company are closely managed through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets. Approximately 55% of policy liabilities in Canada and 60% of policy liabilities in the United States are non-cashable prior to maturity or subject to market value adjustments.

(f) Sensitivity of Actuarial Assumptions

The actuarial assumption most susceptible to change in the short run is future investment returns. One way of measuring the interest rate risk associated with this assumption is to determine the effect on the present value of the projected net asset and liability cash flows of the non-participating business of the Company of an immediate 1% increase or an immediate 1% decrease in the level of interest rates. The effect of an immediate 1% increase in interest rates would be to increase the present value of these projected cash flows by $68 ($15 in 2001). The effect of an immediate 1% decrease in interest rates would be to decrease the present value of these net projected cash flows by $75 ($33 in 2001). The level of actuarial liabilities established under the Canadian Asset Liability Method of valuation provides for interest rate movements significantly greater than the 1% shifts shown above.

($ amounts in millions except per share amounts)

6. Commercial Paper and Other Loans

(a) Commercial paper and other loans consist of the following:

	2002			
	Balance Sheet Value			Fair Value
	Canada	United States	Total	Total
Short Term				
Commercial paper and other short term borrowings with interest of 1.47%	$ –	$ 153	$ 153	$ 153
Revolving credit in respect of reinsurance business with interest rates from 1.8% to 3.4% maturing within one year	46	–	46	46
Total short term	46	153	199	199
Long Term				
Operating:				
First mortgages secured by real estate and limited recourse mortgages at interest rates from 6.4% to 11.4% maturing at various dates to 2014	122	–	122	129
Other notes payable with interest of 8.0%	15	–	15	15
Sub total	137	–	137	144
Capital:				
6.75% Debentures due August 10, 2015, unsecured	200	–	200	218
6.74% Debentures due November 24, 2031, unsecured	200	–	200	210
7.25% Subordinated capital income securities redeemable by the Company on or after June 30, 2004, due June 30, 2048, unsecured (U.S.$175)	–	276	276	280
Sub total	400	276	676	708
Total long term	537	276	813	852
Total	$ 583	$ 429	$ 1,012	$ 1,051
Interest expense on long term loans	$ 39	$ 20	$ 59	

($ amounts in millions except per share amounts)

	2001			
	Balance Sheet Value			Fair Value
	Canada	United States	Total	Total
Short Term				
Commercial paper and other short term borrowings with interest of 2.55%	$ –	$ 154	$ 154	$ 154
Revolving credit in respect of reinsurance business with interest rates from 2.2% to 3.9% maturing within one year	61	–	61	61
Total short term	61	154	215	215
Long Term				
Operating:				
First mortgages secured by real estate and limited recourse mortgages at interest rates from 6.4% to 11.7% maturing at various dates to 2014	156	–	156	165
Other notes payable at interest rates from 8.0% to 9.0%	25	–	25	25
Sub total	181	–	181	190
Capital:				
6.75% Debentures due August 10, 2015, unsecured	200	–	200	210
6.74% Debentures due November 24, 2031, unsecured	200	–	200	196
7.25% Subordinated capital income securities redeemable by the Company on or after June 30, 2004, due June 30, 2048, unsecured (U.S.$175)	–	279	279	279
Sub total	400	279	679	685
Total long term	581	279	860	875
Total	$ 642	$ 433	$ 1,075	$ 1,090
Interest expense on long term loans	$ 29	$ 20	$ 49	

(b) Principal Repayments of Long Term Loans

	Operating	Capital	Total
2003	$ 59	$ –	$ 59
2004	27	–	27
2005	17	–	17
2006	2	–	2
2007	2	–	2
2008 and thereafter	30	676	706
	$ 137	$ 676	$ 813

($ amounts in millions except per share amounts)

7. Non-Controlling Interests

The Company controlled a 100% equity interest in Great-West and GWL&A at December 31, 2002 and December 31, 2001. The non-controlling interests of GWL&A and Great-West and its subsidiaries are:

(a) For the years ended December 31	2002	2001
Participating policyholder		
Net income attributable to participating policyholder before policyholder dividends		
Great-West	$ 89	$ 91
London Life	519	511
GWL&A	208	202
Policyholder dividends		
Great-West	91	87
London Life	517	497
GWL&A	198	200
Net income	$ 10	$ 20
Preferred shareholder dividends	22	22
Minority shareholder interest	1	2
Distribution on Great-West Life Capital Trust Securities	1	–
Total	$ 34	$ 44

(b) As at December 31	2002	2001
Participating policyholder undistributed surplus		
Great-West	$ 330	$ 332
London Life	916	914
GWL&A	244	235
	1,490	1,481
Preferred shareholders	209	459
Minority interests in capital stock and surplus	2	10
Trust units issued by Great-West Life Capital Trust 350,000 Trust Securities – Series A	350	–
	$ 2,051	$ 1,950

Preferred Shareholders

On December 31, 2002, the LIG Class 1 Series D 7.25% Non-Cumulative Preferred Shares and Class 1 Series E 7.20% Non-Cumulative Preferred Shares were redeemed by LIG at a price of $25 per share.

In January 2001, as a result of the joint offer dated December 14, 2000 between 3812774 Canada Inc. (a wholly-owned subsidiary of the Company) and Great-West, 3812774 purchased 658,311 Series L 5.20% Non-Cumulative Preferred Shares of Great-West. 3812774 was transferred to Great-West and concurrently wound up. The purchase price was $23.00 per share for an aggregate purchase price of $15.1. The discount of $2.00 per share, or $1.3, was recorded on consolidation as an increase in surplus.

Great-West Life Capital Trust Securities (GREATs)

On December 20, 2002, Great-West Life Capital Trust (the Trust), a trust controlled by Great-West, issued $350 of non-voting GREATs which constitutes Tier 1 capital for Canadian regulatory purposes. Each holder of the GREATs will be entitled to receive a semi-annual non-cumulative fixed cash distribution of $29.975 per GREATs, representing an annual yield of 5.995%, payable out of the Trust's net distributable funds. Subject to regulatory approval, the Trust may redeem the GREATs, in whole or in part, at any time on or after December 31, 2007 and, under limited circumstances may redeem all, but not less than all of the GREATs prior to December 31, 2007. Related issue costs of $5 ($3 after-tax) were recognized as a charge to surplus in 2002.

($ amounts in millions except per share amounts)

8. Capital Stock

Authorized

Unlimited First Preferred Shares, Class A Preferred Shares and Second Preferred Shares
Unlimited Common Shares

Issued and Outstanding

	2002		2001	
	Number	Stated Value (thousands)	Number	Stated Value (thousands)
Preferred Shares:				
Series B, 7.45% Non-Cumulative First Preferred Shares	–	$ –	4,000,000	$ 100,000
Series C, 7.75% Non-Cumulative First Preferred Shares	4,000,000	100,000	4,000,000	100,000
Series D, 4.70% Non-Cumulative First Preferred Shares	8,000,000	200,000	8,000,000	200,000
Series 1, 5.00% Non-Cumulative Class A Preferred Shares	5,192,242	129,806	5,192,242	129,806
Balance, end of year	17,192,242	$ 429,806	21,192,242	$ 529,806
Common Shares:				
Balance, beginning of year	369,459,808	$ 1,553,294	372,404,725	$ 1,556,559
Purchased and cancelled under Normal Course Issuer Bid	(4,720,800)	(19,924)	(4,838,400)	(20,295)
Issued under Stock Option Plan	1,637,704	18,394	1,893,483	17,030
Balance, end of year	366,376,712	$ 1,551,764	369,459,808	$ 1,553,294
Total Capital Stock		$ 1,981,570		$ 2,083,100

The Series B, 7.45% Non-Cumulative First Preferred Shares were redeemed by the Company on December 31, 2002 at a price of $25 per share.

The Series C, 7.75% Non-Cumulative First Preferred Shares are redeemable at the option of the Company on or after September 30, 2002 and are convertible to common shares of the Company at the option of the Company on or after September 30, 2004. The shares are convertible to common shares of the Company at the option of the holder on or after March 31, 2005.

The Series D, 4.70% Non-Cumulative First Preferred Shares are redeemable or convertible to common shares of the Company at the option of the Company on or after March 31, 2009 and are convertible to common shares of the Company at the option of the holder on or after March 31, 2014.

The Series 1, 5.00% Non-Cumulative Class A Preferred Shares are redeemable or convertible to common shares of the Company at the option of the Company on or after October 31, 2004, and are convertible to common shares of the Company at the option of the holder on or after January 31, 2005.

During 2002, 4,720,800 (4,838,400 in 2001) common shares were purchased for cancellation pursuant to the Company's Normal Course Issuer Bids for a total expenditure of $169 ($164 in 2001) or $35.76 ($33.93 in 2001) per share and the price in excess of stated value was charged to surplus.

9. Stock Based Compensation

The Company has a stock option plan (the Plan) pursuant to which options to subscribe for common shares of Lifeco may be granted to certain officers and employees of Lifeco and its affiliates. The Company's Stock Option Plan Administrative Committee (the Committee) administers the Plan and, subject to the specific provisions of the Plan, fixes the terms and conditions upon which options are granted. The exercise price of each option granted under the Plan is fixed by the Committee, but cannot under any circumstances be less than the weighted-average trading price per Lifeco common share on the Toronto Stock Exchange for the five trading days preceding the date of the grant. Options granted under the Plan expire not later than ten years after the date of the grant. Termination of employment may, in certain circumstances, result in forfeiture of the options, unless otherwise determined by the Committee. The maximum number of Lifeco common shares that may be issued under the Plan is currently 18,500,000.

($ amounts in millions except per share amounts)

9. Stock Based Compensation *(cont'd)*

Three categories of options have been granted under the Plan:

(a) Basic (1) options, which generally become exercisable at the rate of 20% per year commencing on the first anniversary of the grant and expire ten years from the date of the grant. Basic (2) options become exercisable at the rate of 33% per year commencing September 30, 2002 and expire on April 26, 2010.

(b) Contingent Options, which become exercisable only if certain financial targets are attained by GWL&A. Subject to the attainment of those financial targets, Contingent Options either (a) become exercisable on April 1, 2002 and expire on June 26, 2007 or (b) become exercisable at the rate of 20% per year commencing December 31, 2001 and expire on April 25, 2011.

(c) Special Options, which become exercisable only if certain financial targets are attained by Great-West and by London Life. Subject to the attainment of those financial targets, 40% of the Special Options became exercisable on February 28, 2000 and 20% of the Special Options became exercisable on February 28, 2001 and 20% of the Special Options become exercisable on April 22 in each of the years 2002 and 2003. All of the Special Options expire on April 21, 2008.

The following table summarizes the status of, and changes in, options outstanding and the weighted-average exercise price:

	2002		2001	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding, beginning of year	12,303,154	$ 16.99	13,597,821	$ 16.99
Granted	174,500	34.84	1,354,750	34.58
Exercised	(1,637,704)	11.23	(1,893,483)	8.99
Forfeited	(809,213)	18.31	(755,934)	20.24
Outstanding, end of year	10,030,737	$ 21.77	12,303,154	$ 16.99
Options exercisable at year-end	6,303,818	$ 18.05	5,232,735	$ 14.15

The weighted average fair value of options granted during 2002 was $11.38 per option. The fair value of each option was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions used for those options granted in 2002: dividend yield 2.453%, expected volatility 31.67%, risk-free interest rate 5.125%, and expected life of 7 years.

The following table summarizes information on the ranges of exercise prices including weighted-average remaining contractual life at December 31, 2002:

	Outstanding			Exercisable		
Exercise Price Ranges	Options	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Expiry
$8.48 – $9.84	1,506,386	3.56	$ 8.48	1,506,386	$ 8.48	2006
$11.26 – $16.76	1,825,182	4.61	16.34	1,825,182	16.34	2007
$20.24 – $22.28	1,342,950	5.25	21.80	1,094,950	21.78	2008
$22.13 – $27.25	620,900	6.38	23.68	389,700	23.37	2009
$20.22 – $32.95	3,312,569	7.47	24.94	1,235,150	23.90	2010
$34.28 – $35.40	1,248,250	8.75	34.54	252,450	34.55	2011
$34.40 – $37.39	174,500	9.54	34.84	–	–	2012

In accordance with the intrinsic value based method of accounting for stock-based compensation, no compensation expense has been recognized. Had the fair value based method of accounting been applied, compensation expense, net of tax, would have been recorded for the options granted under the Company's plan during 2002 based on the fair value of the options granted, amortized over the vesting period. The Company's net income for 2002 on this basis would have been reduced by less than $1 and earnings per common share would have been reduced by less than $0.001.

($ amounts in millions except per share amounts)

10. Pension Plans and Other Post Retirement Benefits

(a) Defined Benefit Pension Plans

(i) The status of the Company's defined benefit pension plans is as follows:

	2002			2001		
	Canada	United States	Total	Canada	United States	Total
Assets at fair value	$ 1,044	$ 258	$ 1,302	$ 1,176	$ 299	$ 1,475
Accrued benefit obligation	1,015	294	1,309	1,039	240	1,279
Excess (deficit) of assets over obligations	29	(36)	(7)	137	59	196
Unamortized net experience losses (gains) and assumption changes	71	69	140	(58)	(16)	(74)
Unamortized net asset at transition	–	–	–	(4)	–	(4)
Excess funding contribution balance (reflected in Other Assets)	$ 100	$ 33	$ 133	$ 75	$ 43	$ 118
Significant Weighted-Average Actuarial Assumptions:						
Discount rate	6.75%	6.75%		6.75%	7.25%	
Expected return on assets	7.75%	8.00%		7.75%	8.00%	
Assumed compensation increase	5.25%	3.92%		5.25%	4.00%	

(ii) The change in the fair value of plan assets is as follows:

	2002			2001		
	Canada	United States	Total	Canada	United States	Total
Fair value of assets, beginning of year	$ 1,176	$ 299	$ 1,475	$ 1,245	$ 290	$ 1,535
Employee contributions	5	–	5	5	–	5
Employer contributions	15	–	15	2	–	2
Return on plan assets	(34)	(28)	(62)	13	(1)	12
Benefits paid	(118)	(10)	(128)	(89)	(8)	(97)
Foreign exchange rate changes	–	(3)	(3)	–	18	18
Fair value of assets, end of year	$ 1,044	$ 258	$ 1,302	$ 1,176	$ 299	$ 1,475

(iii) The change in the accrued benefit obligation is as follows:

	2002			2001		
	Canada	United States	Total	Canada	United States	Total
Accrued benefit obligation, beginning of year	$ 1,039	$ 240	$ 1,279	$ 1,026	$ 211	$ 1,237
Current service cost	25	14	39	25	13	38
Interest on accrued pension obligation	67	18	85	69	15	84
Actuarial (gains) losses	2	33	35	8	(4)	4
Benefits paid	(118)	(10)	(128)	(89)	(8)	(97)
Foreign exchange rate changes	–	(1)	(1)	–	13	13
Accrued benefit obligation, end of year	$ 1,015	$ 294	$ 1,309	$ 1,039	$ 240	$ 1,279

($ amounts in millions except per share amounts)

10. Pension Plans and Other Post Retirement Benefits (cont'd)

(iv) Pension expense is determined as follows:

	2002			2001		
	Canada	United States	Total	Canada	United States	Total
Current service cost	$ 25	$ 14	$ 39	$ 25	$ 13	$ 38
Employee contributions	(5)	–	(5)	(5)	–	(5)
Employer current service cost	20	14	34	20	13	33
Interest on accrued pension obligation	67	18	85	69	15	84
Amortization of net experience gains and assumption changes	(8)	1	(7)	(15)	(2)	(17)
Amortization of net asset at transition	(4)	–	(4)	(4)	–	(4)
Expected return on plan assets	(87)	(23)	(110)	(96)	(24)	(120)
	$ (12)	$ 10	$ (2)	$ (26)	$ 2	$ (24)

(b) Other Pension Plans

(i) The Company also maintains defined contribution pension plans for certain employees and agents the costs of which are as follows:

	2002			2001		
	Canada	United States	Total	Canada	United States	Total
Contributions expensed	$ 2	$ 11	$ 13	$ 2	$ 12	$ 14

(ii) In addition, the Company maintains supplemental executive retirement plans for certain key executives which provide certain benefits upon retirement, disability or death based on total compensation.

	2002			2001		
	Canada	United States	Total	Canada	United States	Total
In year expense	$ 3	$ 4	$ 7	$ 1	$ 4	$ 5
End of year total liability	$ 28	$ 33	$ 61	$ 18	$ 33	$ 51

(c) Other Post Retirement Benefits

(i) The status of the Company's other post retirement benefits plans is as follows:

	2002			2001		
	Canada	United States	Total	Canada	United States	Total
Accrued other post retirement benefits obligation	$ 221	$ 49	$ 270	$ 191	$ 92	$ 283
Unamortized experience gain (loss)	(23)	33	10	(5)	(18)	(23)
Accrued benefit obligation (reflected in Other Liabilities)	$ 198	$ 82	$ 280	$ 186	$ 74	$ 260

($ amounts in millions except per share amounts)

Significant Weighted-Average Actuarial Assumptions:

The discount rate used to determine the accrued benefit obligation was 6.75% for both the Canadian and United States plans. In determining the expected cost of Canadian health care benefit plans, health care costs were assumed to increase by 8.4% in 2002 and gradually decrease to a level of 4.8% by 2008. For the United States health care benefit plans, health care costs were assumed to increase by 9.5% in 2002 and gradually decrease to a level of 5.25% by 2011 subject to conditions of the plans.

(ii) The change in the other post retirement benefits obligation is as follows:

	2002			2001		
	Canada	**United States**	**Total**	Canada	United States	Total
Accrued other post retirement benefits obligation, beginning of year	$ 191	$ 92	$ 283	$ 167	$ 50	$ 217
Current service cost	7	6	13	5	5	10
Interest on accrued other post retirement benefit obligation	13	5	18	12	5	17
Amendments	–	(35)	(35)	–	–	–
Actuarial (gains) losses	17	(16)	1	14	31	45
Benefits paid	(7)	(2)	(9)	(7)	(2)	(9)
Foreign exchange rate changes	–	(1)	(1)	–	3	3
Accrued other post retirement benefits obligation, end of year	$ 221	$ 49	$ 270	$ 191	$ 92	$ 283

(iii) Other post retirement benefits expense is determined as follows:

	2002			2001		
	Canada	**United States**	**Total**	Canada	United States	Total
Current service cost	$ 7	$ 6	$ 13	$ 5	$ 5	$ 10
Interest on accrued other post retirement benefits obligation	13	5	18	12	5	17
	$ 20	$ 11	$ 31	$ 17	$ 10	$ 27

The effect of a 1% increase in assumed healthcare cost trend rates would be an increase in the accrued post retirement benefit obligation of $35 in Canada and $4 in the United States as at December 31, 2002 and an increase in the 2002 post retirement benefit expense of $5 in Canada and $2 in the United States. A decrease of 1% in assumed healthcare cost trend rates would result in respective decreases of approximately the same amount.

11. Earnings per Common Share

The following table provides the reconciliation between basic and diluted earnings per common share:

	2002	2001
(a) **Earnings**		
Net income – common shareholders	$ 931	$ 515
(b) **Number of Common Shares**		
Average number of common shares outstanding	367,987,648	371,244,073
Add: Potential exercise of outstanding stock options	4,619,909	6,119,984
Average number of common shares outstanding – diluted basis	372,607,557	377,364,057
Earnings per Common Share ((a) divided by (b))		
Basic	$ 2.530	$ 1.387
Diluted	$ 2.499	$ 1.365

($ amounts in millions except per share amounts)

12. Related Party Transactions

In the normal course of business, Great-West provided insurance benefits to other companies within the Power Financial Corporation group of companies. In all cases, transactions were at market terms and conditions.

During the year, Great-West provided to and received from Investors Group, a member of the Power Financial Group of companies, certain administrative services. Great-West also provided life insurance and disability insurance products under a distribution agreement with Investors Group. London Life provided distribution services to Mackenzie Financial Corporation, a company within the Power Financial Corporation group of companies. All transactions were provided on terms and conditions at least as favourable as market terms and conditions.

During 2002, Great-West and London Life purchased residential mortgages of $200 from Investors Group ($278 in 2001). Great-West and London Life sold residential mortgages of $42 ($26 in 2001) to segregated funds maintained by Great-West and $143 ($98 in 2001) to segregated funds maintained by London Life. All transactions were at market terms and conditions.

On April 19, 2001, Great-West completed its previously announced investment of $230 to acquire 9,200,000 Investors Group treasury common shares.

13. Income Taxes

(a) Future income taxes consist of the following taxable temporary differences on:

	2002	2001
Policy liabilities	$ 31	$ 102
Portfolio investments	189	206
Other	(82)	9
	$ 138	$ 317

(b) The Company's effective income tax rate is derived as follows:

	2002	2001
Combined basic Canadian federal and provincial tax rate	39.0%	42.3%
Increase (decrease) in the income tax rate resulting from:		
Non-taxable investment income	(5.6)	(5.4)
Lower effective tax rates on income not subject to tax in Canada	(2.3)	(1.6)
Investment income tax	1.8	2.8
Large corporations tax	0.1	0.1
Impact of rate changes on future income taxes	0.3	(1.0)
Miscellaneous	1.1	2.0
Effective income tax rate applicable to current year	34.4	39.2
Increase (decrease) in the income tax rate resulting from prior years' tax adjustments	(4.2)	1.0
Effective income tax rate	30.2%	40.2%

2002 results include a $50 net reduction in the Canadian provisions for income taxes due to favourable tax experience arising from the completion of tax audits. The impact of this reduction in provisions was an increase in after tax income of $41 in the shareholder account and $9 in the participating policyholder account.

($ amounts in millions except per share amounts)

14. Off Balance Sheet Financial Instruments

In the normal course of managing exposure to fluctuations in interest and foreign exchange rates, and to market risks, the Company is an end user of various derivative financial instruments that are not reported on the balance sheet. Contracts are either exchange traded or over-the-counter traded with counterparties that are highly rated financial institutions.

(a) The following table summarizes the Company's derivative portfolio and related credit exposure:

	2002				
	Notional Amount	Maximum Credit Risk	Future Credit Exposure	Credit Risk Equivalent*	Risk Weighted Equivalent
Interest Rate Contracts					
Swaps	$ 792	$ 37	$ 4	$ 41	$ 8
Options written	302	–	–	–	–
Options purchased	1,797	–	5	5	1
	2,891	37	9	46	9
Foreign Exchange Contracts					
Forward contracts	2,150	5	66	71	14
Cross-currency swaps	863	6	49	55	8
	3,013	11	115	126	22
Other Derivative Contracts					
Equity contracts	266	61	18	30	11
Credit default swaps	32	–	3	3	1
	298	61	21	33	12
	$ 6,202	$ 109	$ 145	$ 205	$ 43
Geographic					
Canada	$ 3,396	$ 78	$ 132	$ 161	$ 34
United States	2,806	31	13	44	9
	$ 6,202	$ 109	$ 145	$ 205	$ 43

* *Credit risk equivalent for equity contracts includes a reduction for collateral of $49.*

	2001				
	Notional Amount	Maximum Credit Risk	Future Credit Exposure	Credit Risk Equivalent*	Risk Weighted Equivalent
Interest Rate Contracts					
Swaps	$ 816	$ 41	$ 4	$ 45	$ 9
Options written	305	–	–	–	–
Options purchased	2,442	3	–	3	1
	3,563	44	4	48	10
Foreign Exchange Contracts					
Forward contracts	1,700	1	47	48	9
Cross-currency swaps	791	14	49	63	13
	2,491	15	96	111	22
Other Derivative Contracts					
Equity contracts	286	67	19	36	12
	$ 6,340	$ 126	$ 119	$ 195	$ 44
Geographic					
Canada	$ 2,990	$ 89	$ 116	$ 155	$ 36
United States	3,350	37	3	40	8
	$ 6,340	$ 126	$ 119	$ 195	$ 44

* *Credit risk equivalent for equity contracts includes a reduction for collateral of $50.*

($ amounts in millions except per share amounts)

14. Off Balance Sheet Financial Instruments *(cont'd)*

(b) The following table provides the use, notional amount and estimated fair value of the Company's derivative portfolio:

2002	Contracts Held for Asset/Liability Management				Contracts Held for Other Purposes			
	Notional Amount			Total	Notional Amount			Total
	1 Year or Less	1-5 Years	Over 5 Years	Estimated Fair Value	1 Year or Less	1-5 Years	Over 5 Years	Estimated Fair Value
Interest Rate Contracts								
Swaps	$ 121	$ 590	$ 81	$ 32	$ –	$ –	$ –	$ –
Options written	–	302	–	(6)	–	–	–	–
Options purchased	798	999	–	–	–	–	–	–
	919	1,891	81	26	–	–	–	–
Foreign Exchange Contracts								
Forward contracts	–	–	–	–	1,052	1,098	–	(25)
Cross-currency swaps	62	456	345	(123)	–	–	–	–
	62	456	345	(123)	1,052	1,098	–	(25)
Other Derivative Contracts								
Equity contracts	47	93	–	55	126	–	–	1
Credit default swaps	–	32	–	–	–	–	–	–
	47	125	–	55	126	–	–	1
	$ 1,028	$ 2,472	$ 426	$ (42)	$ 1,178	$ 1,098	$ –	$ (24)
Geographic								
Canada	$ 116	$ 627	$ 377	$ (61)	$ 1,178	$ 1,098	$ –	$ (24)
United States	912	1,845	49	19	–	–	–	–
	$ 1,028	$ 2,472	$ 426	$ (42)	$ 1,178	$ 1,098	$ –	$ (24)

2001	Contracts Held for Asset/Liability Management				Contracts Held for Other Purposes			
	Notional Amount			Total	Notional Amount			Total
	1 Year or Less	1-5 Years	Over 5 Years	Estimated Fair Value	1 Year or Less	1-5 Years	Over 5 Years	Estimated Fair Value
Interest Rate Contracts								
Swaps	$ 198	$ 535	$ 83	$ 38	$ –	$ –	$ –	$ –
Options written	118	187	–	(4)	–	–	–	–
Options purchased	655	1,787	–	3	–	–	–	–
	971	2,509	83	37	–	–	–	–
Foreign Exchange Contracts								
Forward contracts	–	–	–	–	951	749	–	(41)
Cross-currency swaps	42	314	435	(77)	–	–	–	–
	42	314	435	(77)	951	749	–	(41)
Other Derivative Contracts								
Equity contracts	49	93	–	62	144	–	–	3
	$ 1,062	$ 2,916	$ 518	$ 22	$ 1,095	$ 749	$ –	$ (38)
Geographic								
Canada	$ 114	$ 514	$ 518	$ (11)	$ 1,095	$ 749	$ –	$ (38)
United States	948	2,402	–	33	–	–	–	–
	$ 1,062	$ 2,916	$ 518	$ 22	$ 1,095	$ 749	$ –	$ (38)

(c) ***Interest Rate Contracts***

Interest rate swaps are used to hedge interest rate risk related to asset and liability management. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which payments are based. Interest income is adjusted to reflect the interest receivable and interest payable under the interest rate swaps.

Written call options are used with interest rate swaps to effectively convert convertible, fixed rate bonds to non-convertible variable rate securities as part of the Company's overall asset/liability matching program. The written call option hedges the Company's exposure to the convertibility feature on the bonds. Any premiums received are recognized in net investment income over the life of the option. Gains and losses realized upon exercise of the option are amortized into income over the remaining term of the underlying security.

Put options are purchased to protect against significant drops in equity markets. Premiums paid are amortized to net investment income over the life of the options. Gains and losses realized upon exercise of the option are recognized in net investment income.

Foreign Exchange Contracts

Cross-currency swaps are used to hedge foreign currency risk related to asset and liability management. Under these swaps principal amounts and fixed and floating interest payments may be exchanged in different currencies. The carrying value on the balance sheet is adjusted to reflect the amount of the currency swapped and interest income is adjusted to reflect the interest receivable and interest payable under the swaps. The Company also enters into certain foreign exchange forward contracts to hedge the translation of its United States operations into Canadian dollars. The realized gains and losses on these contracts are recognized in net investment income as the contracts are settled. In 2002, realized losses net of tax were $13 ($18 in 2001).

Other Derivative Contracts

Equity index swaps are used to hedge certain product liabilities and are marked to market with realized and unrealized gains and losses included in net investment income offsetting the respective realized and unrealized gains and losses on the underlying product liabilities and a corresponding market value adjustment in the amounts paid or credited to policyholders. Equity index swaps are also used as substitutes for cash instruments and are marked to market with realized and unrealized gains and losses included in net investment income.

The Company uses credit derivatives to manage its credit exposures and for risk diversification in its investment portfolio. Unrealized gains and losses are deferred on the balance sheet and are recognized in net investment income in the period in which the underlying investment is recognized.

15. Contingent Liabilities

The Company and its subsidiaries are subject to legal actions, including proposed class actions, arising in the normal course of business. It is not expected that any of these legal actions will have a material adverse effect on the consolidated financial position of the Company.

At December 31, 2002 there are three proposed class actions against Great-West (one in each of British Columbia, Ontario and Quebec) related to the availability of policyholder dividends to pay future premiums. In June 2001, London Life announced an agreement to settle proposed class actions related to the availability of policyholder dividends to pay future premiums on participating life insurance policies purchased from London Life. The agreement received final court approval in 2002. As at the date of the settlement, estimated future settlement benefits of $180 and expenses related to the administration of the settlement in the amount of $20 were fully provided for in existing reserves in London Life's participating account. Actual results could differ from those estimates. There is also a proposed class proceeding in Ontario against the Company, Great-West, LIG and London Life regarding the participation of the London Life participating policyholder account in the financing of the acquisition of LIG in 1997 by Great-West. These proceedings are in their early stages, and it is difficult to predict their outcome with certainty. However, based on information presently known, it is not expected that any of these proceedings will have a material adverse effect on the consolidated financial position of the Company.

($ amounts in millions except per share amounts)

16. The Events of September 11, 2001

2001 results include a charge of $73 after-tax in the shareholder account and $9 after-tax in the participating policyholder account related to claims provisions from the events of September 11, 2001, related to the reinsurance business.

17. Commitments

Clients residing in the United States are required pursuant to their insurance laws to obtain letters of credit issued on London Reinsurance Group's (LRG), a subsidiary of London Life, behalf from approved banks in order to further secure LRG's obligations under reinsurance contracts.

LRG has a syndicated letter of credit facility providing U.S. $1,425 in letters of credit capacity. The facility has three tranches. One tranche, arranged in 2002 in the amount of U.S. $655, is for a one year term to November 20, 2003. The second tranche, also arranged in 2002 in the amount of U.S. $370, has a three year term expiring November 15, 2005. The third tranche of U.S. $400 expires on October 27, 2003. Under the terms and conditions of the facility, collateralization may be required dependant on the future credit ratings of specific LRG subsidiaries and London Life or if a default under the letters of credit agreement occurs. LRG has issued U.S. $1,079 in letters of credit under the facility as at December 31, 2002. LRG had issued U.S. $1,105 under a previous letter of credit facility at December 31, 2001. In addition, LRG has other bilateral letter of credit facilities totalling U.S. $40 (2001 – U.S. $40). Bonds and debentures in the amount of Cdn $11 (2001 – Cdn $15) have been pledged to support these letters of credit.

18. Segmented Information

The major reportable segments are the Canadian and United States operations of the Company. In Canada, the Company operates through Great-West and its wholly owned subsidiary LIG. In the United States, the Company operates primarily through GWL&A. The Canadian and United States segments are also presented by participating and non-participating products.

The major business units within the Canadian operating segment are:

Group Insurance	– life, health and disability insurance products for group clients.
Individual Insurance & Investment Products	– life insurance and disability insurance products for individual clients, and accumulation and payout annuity products for both group and individual clients.
Reinsurance & Specialty General Insurance	– life, property and casualty, accident and health, annuity coinsurance and specialty general insurance in specific niche markets.
Corporate	– business activities and operations that are not associated with the major business units of Canadian operations.

The major business units within the United States operating segment are:

Employee Benefits	– life, health and disability insurance products for group clients.
Financial Services	– accumulation and payout annuity products for both group and individual clients, 401(k) products for group clients and life insurance products for individual clients.
Corporate	– business activities and operations that are not associated with the major business units of United States operations.

($ amounts in millions except per share amounts)

(a) Consolidated Operations

For the Year Ended December 31, 2002	Canadian Operations						
	Shareholder					Participating Policyholder	
	Group Insurance	Individual Insurance & Investment Products	Reinsurance & Specialty	Corporate	Total	Individual Insurance & Investment Products	Total Canada
Income:							
Premium income	$ 2,220	$ 662	$ 3,922	$ 17	$ 6,821	$ 1,377	$ 8,198
Net investment income	205	463	474	98	1,240	909	2,149
Fee and other income	68	332	2	18	420	–	420
Total income	2,493	1,457	4,398	133	8,481	2,286	10,767
Benefits and Expenses:							
Paid or credited to policyholders	1,868	741	4,338	37	6,984	1,994	8,978
Other	426	365	28	22	841	256	1,097
Net operating income before income taxes	199	351	32	74	656	36	692
Income taxes	74	139	2	(55)	160	36	196
Net income before non-controlling interests	125	212	30	129	496	–	496
Non-controlling interests	–	–	1	23	24	–	24
Net income before goodwill amortization	125	212	29	106	472	–	472
Amortization of goodwill	–	–	–	–	–	–	–
Net income	$ 125	$ 212	$ 29	$ 106	$ 472	$ –	$ 472

Summary of Net Income							
Preferred shareholder dividends	$ –	$ –	$ –	$ 31	$ 31	$ –	$ 31
Net income – common shareholders	125	212	29	75	441	–	441
Net income	$ 125	$ 212	$ 29	$ 106	$ 472	$ –	$ 472

($ amounts in millions except per share amounts)

18. Segmented Information *(cont'd)*

For the Year Ended December 31, 2002	United States Operations						
	Shareholder				Participating Policyholder		
	Employee Benefits	Financial Services	Corporate	Total	Financial Services	Total U.S.	Total Company
Income:							
Premium income	$ 1,577	$ 1,016	$ –	$ 2,593	$ 396	$ 2,989	$ 11,187
Net investment income	109	824	(5)	928	561	1,489	3,638
Fee and other income	1,036	350	1	1,387	–	1,387	1,807
Total income	2,722	2,190	(4)	4,908	957	5,865	16,632
Benefits and Expenses:							
Paid or credited to policyholders	1,208	1,484	(2)	2,690	925	3,615	12,593
Other	1,139	347	9	1,495	21	1,516	2,613
Net operating income before income taxes	375	359	(11)	723	11	734	1,426
Income taxes	125	112	(4)	233	1	234	430
Net income before non-controlling interests	250	247	(7)	490	10	500	996
Non-controlling interests	–	–	–	–	10	10	34
Net income before goodwill amortization	250	247	(7)	490	–	490	962
Amortization of goodwill	–	–	–	–	–	–	–
Net income	$ 250	$ 247	$ (7)	$ 490	$ –	$ 490	$ 962

Summary of Net Income

	Employee Benefits	Financial Services	Corporate	Total	Financial Services	Total U.S.	Total Company
Preferred shareholder dividends	$ –	$ –	$ –	$ –	$ –	$ –	$ 31
Net income – common shareholders	250	247	(7)	490	–	490	931
Net income	$ 250	$ 247	$ (7)	$ 490	$ –	$ 490	$ 962

($ amounts in millions except per share amounts)

For the Year Ended December 31, 2001	Canadian Operations						
	Shareholder					Participating Policyholder	
	Group Insurance	Individual Insurance & Investment Products	Reinsurance & Specialty	Corporate	Total	Individual Insurance & Investment Products	Total Canada
Income:							
Premium income	$ 2,026	$ 628	$ 3,455	$ 16	$ 6,125	$ 1,326	$ 7,45
Net investment income	215	513	473	125	1,326	926	2,25
Fee and other income	61	311	2	17	391	–	39
Total income	2,302	1,452	3,930	158	7,842	2,252	10,09
Benefits and Expenses:							
Paid or credited to policyholders	1,739	799	3,894	33	6,465	1,843	8,30
Other	391	374	78	17	860	275	1,13
Net operating income before income taxes	172	279	(42)	108	517	134	65
Income taxes	67	104	(12)	(7)	152	116	26
Net income before non-controlling interests	105	175	(30)	115	365	18	38
Non-controlling interests	–	–	2	22	24	18	4
Net income before goodwill amortization	105	175	(32)	93	341	–	34
Amortization of goodwill	23	28	8	3	62	–	6
Net income	$ 82	$ 147	$ (40)	$ 90	$ 279	$ –	$ 27

Summary of Net Income							
Preferred shareholder dividends	$ –	$ –	$ –	$ 30	$ 30	$ –	$ 3
Net income – common shareholders	82	147	(40)	60	249	–	24
Net income	$ 82	$ 147	$ (40)	$ 90	$ 279	$ –	$ 27

($ amounts in millions except per share amounts)

18. Segmented Information *(cont'd)*

For the Year Ended December 31, 2001	United States Operations						
	Shareholder				Participating Policyholder		
	Employee Benefits*	Financial Services	Corporate	Total	Financial Services	Total U.S.	Total Company
Income:							
Premium income	$ 1,708	$ 893	$ –	$ 2,601	$ 425	$ 3,026	$ 10,477
Net investment income	106	831	(10)	927	534	1,461	3,713
Fee and other income	1,105	362	–	1,467	–	1,467	1,858
Total income	2,919	2,086	(10)	4,995	959	5,954	16,048
Benefits and Expenses:							
Paid or credited to policyholders	1,439	1,359	(2)	2,796	926	3,722	12,030
Other	1,208	382	14	1,604	22	1,626	2,761
Special Charges	204	–	–	204	–	204	204
Net operating income before income taxes	68	345	(22)	391	11	402	1,053
Income taxes	18	101	1	120	9	129	397
Net income before non-controlling interests	50	244	(23)	271	2	273	656
Non-controlling interests	–	–	–	–	2	2	44
Net income before goodwill amortization	50	244	(23)	271	–	271	612
Amortization of goodwill	2	1	1	4	–	4	66
Net income	$ 48	$ 243	$ (24)	$ 267	$ –	$ 267	$ 546

Summary of Net Income

	Employee Benefits*	Financial Services	Corporate	Total	Participating Policyholder Financial Services	Total U.S.	Total Company
Preferred shareholder dividends	$ –	$ –	$ 1	$ 1	$ –	$ 1	$ 31
Net income – common shareholders	48	243	(25)	266	–	266	515
Net income	$ 48	$ 243	$ (24)	$ 267	$ –	$ 267	$ 546

* see note 19

($ amounts in millions except per share amounts)

(b) Consolidated Balance Sheet

As at December 31, 2002	Canada			United States			
	Shareholder	Participating Policyholder	Total	Shareholder	Participating Policyholder	Total	Total Company
Assets							
Invested assets	$ 14,897	$ 13,974	$ 28,871	$ 14,550	$ 8,130	$ 22,680	$ 51,551
Goodwill and intangible assets	1,621	–	1,621	66	–	66	1,687
Other assets	5,103	415	5,518	987	328	1,315	6,833
Total assets	$ 21,621	$ 14,389	$ 36,010	$ 15,603	$ 8,458	$ 24,061	$ 60,071
Liabilities, Capital Stock and Surplus							
Policy liabilities	$ 16,283	$ 12,606	$ 28,889	$ 11,450	$ 7,957	$ 19,407	$ 48,296
Net deferred gains on portfolio investments sold	427	387	814	136	8	144	958
Other liabilities	1,992	150	2,142	1,667	249	1,916	4,058
Non-controlling interests	561	1,246	1,807	–	244	244	2,051
Capital stock and surplus	2,358	–	2,358	2,350	–	2,350	4,708
Total liabilities, capital stock and surplus	$ 21,621	$ 14,389	$ 36,010	$ 15,603	$ 8,458	$ 24,061	$ 60,071

As at December 31, 2001	Canada			United States			
	Shareholder	Participating Policyholder	Total	Shareholder	Participating Policyholder	Total	Total Company
Assets							
Invested assets	$ 14,549	$ 13,257	$ 27,806	$ 14,836	$ 8,009	$ 22,845	$ 50,651
Goodwill and intangible assets	1,538	–	1,538	66	–	66	1,604
Other assets	4,829	517	5,346	1,249	309	1,558	6,904
Total assets	$ 20,916	$ 13,774	$ 34,690	$ 16,151	$ 8,318	$ 24,469	$ 59,159
Liabilities, Capital Stock and Surplus							
Policy liabilities	$ 16,085	$ 11,835	$ 27,920	$ 11,847	$ 7,832	$ 19,679	$ 47,599
Net deferred gains on portfolio investments sold	473	445	918	123	8	131	1,049
Other liabilities	1,635	248	1,883	2,038	243	2,281	4,164
Non-controlling interests	469	1,246	1,715	–	235	235	1,950
Capital stock and surplus	2,254	–	2,254	2,143	–	2,143	4,397
Total liabilities, capital stock and surplus	$ 20,916	$ 13,774	$ 34,690	$ 16,151	$ 8,318	$ 24,469	$ 59,159

19. Special Charges

2001 results include a non-recurring charge of $204 pre-tax ($133 after-tax) in addition to related operating losses of $32 after-tax, both related to Alta Health & Life Insurance Company (Alta) an indirect wholly-owned subsidiary and part of the Company's United States Employee Benefits segment.

20. Dispositions

London Guarantee Insurance Company

On March 21, 2002, London Life completed its previously announced sale of its 82.9% indirect interest in London Guarantee Insurance Company which resulted in an after-tax gain of $31.

Auditors' Report

To the Shareholders of Great-West Lifeco Inc.

We have audited the consolidated balance sheets of Great-West Lifeco Inc. as at December 31, 2002 and 2001 and the summaries of consolidated operations, the consolidated statements of surplus and the consolidated statements of cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP.

Chartered Accountants

Winnipeg, Manitoba
January 29, 2003

Five Year Summary

(in millions of dollars except per common share amounts)

	2002	2001	2000	1999	1998
At December 31					
Life insurance in force (face amount)	$ 479,124	$ 487,216	$ 501,838	$ 471,078	$ 477,234
Annuities in force (funds held)	45,511	49,306	48,690	47,255	43,936
Health insurance in force (annualized premiums)	13,762	14,045	13,903	9,238	9,309
Total assets under administration	96,119	98,026	92,913	87,240	83,119
For the Year Ended December 31					
Premiums:					
Life insurance, guaranteed annuities and insured health products	$ 7,265	$ 7,022	$ 7,098	$ 6,451	$ 6,547
Reinsurance and specialty general insurance	3,922	3,455	2,878	2,075	2,690
Self-funded premium equivalents (ASO contracts)	9,564	10,099	8,797	5,464	4,849
Segregated funds deposits:					
Individual products	2,293	2,955	2,776	1,962	2,010
Group products	4,382	4,695	5,325	3,988	3,687
Total premiums and deposits	$ 27,426	$ 28,226	$ 26,874	$ 19,940	$ 19,783
Condensed Summary of Operations					
Income					
Premium income	$ 11,187	$ 10,477	$ 9,976	$ 8,526	$ 9,237
Net investment income	3,638	3,713	3,649	3,580	3,516
Fee and other income	1,807	1,858	1,641	1,222	1,003
Total income	16,632	16,048	15,266	13,328	13,756
Benefits and Expenses					
Paid or credited to policyholders	12,593	12,030	11,374	9,936	10,680
Commissions	718	696	694	601	538
Operating expenses	1,786	1,941	1,816	1,550	1,445
Premium taxes	109	124	129	123	93
Special charges	–	204	–	–	–
Net operating income before income taxes	1,426	1,053	1,253	1,118	1,000
Income taxes – current	397	427	540	378	216
– future	33	(30)	(89)	(12)	145
Net income before non-controlling interests	996	656	802	752	639
Non-controlling interests	34	44	63	123	108
Net income before amortization of goodwill	962	612	739	629	531
Amortization of goodwill	–	66	65	60	58
Net income	$ 962	$ 546	$ 674	$ 569	$ 473

	2002	2001	2000	1999	1998
Summary of Net Income					
Preferred shareholder dividends	$ 31	$ 31	$ 31	$ 33	$ 36
Net income – common shareholders	931	515	643	536	437
Net income	$ 962	$ 546	$ 674	$ 569	$ 473
Earnings per common share	$ 2.53	$ 1.39	$ 1.72	$ 1.43	$ 1.17
Return on common shareholders' equity	22.9%	13.7%	18.6%	17.1%	15.4%
Book value per common share	$ 11.68	$ 10.47	$ 9.81	$ 8.70	$ 8.12
Dividends to common shareholders – per share	$ 0.945	$ 0.78	$ 0.65	$ 0.53	$ 0.44

Corporate Governance

Great-West Lifeco Inc. was formed in 1986. Lifeco currently owns all of the voting interest in The Great-West Life Assurance Company (Great-West) and, indirectly, all of the voting interest in Great-West Life & Annuity Insurance Company (GWL&A). Lifeco currently has no holdings unrelated to its holdings in Great-West and GWL&A. Lifeco is controlled by Power Financial Corporation.

Lifeco believes that sound corporate governance is essential to the well being of Lifeco and its shareholders. Its Board of Directors is identical to the Board of Great-West and many of its Directors are members of the Board of GWL&A. As a result, the processes and structures that are required to properly direct and manage the business and affairs of Lifeco (i.e. prudent and effective corporate governance practices) have largely been implemented through Great-West and GWL&A. Lifeco offers the following comments with respect to its corporate governance practices.

Board and Board Committees

The Board of Lifeco is comprised of 22 Directors, and there are currently three Committees of the Board, namely the Executive Committee, the Audit Committee and the Stock Option Plan Administrative Committee. The mandate of the Board is to supervise the management of the business and affairs of Lifeco. The mandate of the Executive Committee is to supervise the management of the business and affairs of Lifeco when the Board is not in session. The mandate of the Audit Committee is to review the financial statements of Lifeco and public disclosure documents containing financial information and to report on such review to the Board. The Audit Committee has direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate. The membership of the Audit Committee of Lifeco is identical to that of the Audit Committee of Great-West and both Audit Committees have the same Chairman. The mandate of the Stock Option Plan Administrative Committee is to administer Lifeco's Stock Option Plan.

Board and Board Committee Composition

A majority of the 22 Directors on the Board of Lifeco are "unrelated" to Lifeco. In addition, a number of Directors are free from any interests in, or relationships with, either Lifeco or its controlling shareholder.

A majority of the Directors on the Executive Committee are unrelated to Lifeco. The Audit Committee and the Stock Option Plan Administrative Committee are composed entirely of unrelated non-management Directors and the Chairman of the Board is a non-management Director.

Board Operation

The Chairman's responsibility towards the efficient operation of the Board includes the recommendation, after consultation, of appropriate candidates for nomination to the Board, and the assessment of the effectiveness of the Board as a whole, of the Committees of the Board, and of the contributions of individual Directors. The Chairman also makes recommendations, after consultation, concerning Directors' compensation and any changes that would improve the workings of the Board, including increases or decreases in its size, and concerning the development of Lifeco's approach to governance issues.

Committees may, at the expense of Lifeco, retain such professional advisors as the Committees deem appropriate for purposes of carrying out their duties and responsibilities.

New members of the Board are provided with an orientation concerning Lifeco and its business.

Management is expected to develop an annual business plan incorporating the business objectives and key results for which management is responsible each year, and to submit the plan to the Board for approval. Management is expected to implement the plan, to achieve the objectives and results, and to report to the Board on its progress.

Shareholder Matters

In addition to the public disclosure documents which Lifeco is required to produce by various regulatory authorities, Lifeco communicates with shareholders through quarterly reports, the annual report, and press releases when appropriate. Every shareholder inquiry receives a prompt response from an appropriate officer of Lifeco.

Directors and Officers

Board of Directors

As of December 31, 2002

Robert Gratton [2,3]
Chairman of the Board of the Corporation
President and Chief Executive Officer, Power Financial Corporation

Gail S. Asper [1]
Corporate Secretary, CanWest Global Communications Corporation

James W. Burns, O.C. [2,3]
Director Emeritus, Power Corporation of Canada

Orest T. Dackow [3]
Corporate Director

André Desmarais [3]
President and Co-Chief Executive Officer, Power Corporation of Canada
Deputy Chairman, Power Financial Corporation

The Honourable Paul Desmarais, P.C., C.C.
Chairman of the Executive Committee, Power Corporation of Canada

Paul Desmarais, Jr. [2,3]
Chairman and Co-Chief Executive Officer, Power Corporation of Canada
Chairman, Power Financial Corporation

Charles H. Hollenberg, M.D., O.C. [3]
Senior Consultant, Cancer Care Ontario

Daniel Johnson
Of Counsel to McCarthy Tétrault LLP

Kevin P. Kavanagh, C.M. [3]
Corporate Director
Chancellor Emeritus, Brandon University

J. Blair MacAulay [2,3]
Of Counsel to Fraser Milner Casgrain LLP

The Right Honourable Donald F. Mazankowski, P.C., O.C. [3]
Corporate Director
Business Consultant

William T. McCallum [3]
Co-President & Chief Executive Officer of the Corporation
President and Chief Executive Officer, Great-West Life & Annuity Insurance Company

Raymond L. McFeetors [3]
Co-President & Chief Executive Officer of the Corporation
President and Chief Executive Officer, The Great-West Life Assurance Company
President and Chief Executive Officer, London Life Insurance Company

Randall L. Moffat [1]
Corporate Director

Jerry E.A. Nickerson [1,2,3]
Chairman of the Board, H.B. Nickerson & Sons Limited

R. Jeffrey Orr
President and Chief Executive Officer, Investors Group Inc.

Gordon F. Osbaldeston, P.C., C.C.
Corporate Director

The Honourable P. Michael Pitfield, P.C., Q.C.
Vice-Chairman, Power Corporation of Canada
Member of the Senate of Canada

Michel Plessis-Bélair, F.C.A. [1,3]
Vice-Chairman and Chief Financial Officer, Power Corporation of Canada
Executive Vice-President and Chief Financial Officer, Power Financial Corporation

Guy St-Germain, C.M. [1,3]
President, Placements Laugerma Inc.

Gérard Veilleux, O.C. [1]
Vice-President, Power Corporation of Canada

1 Member of the Audit Committee 2 Member of the Stock Option Plan Administrative Committee 3 Member of the Executive Committee

Executive Officers

Raymond L. McFeetors
Co-President & Chief Executive Officer

William T. McCallum
Co-President & Chief Executive Officer

Mitchell T.G. Graye
Vice-President, Finance, United States

D. Craig Lennox
Vice-President, Counsel and Secretary, United States

William W. Lovatt
Vice-President, Finance, Canada

Sheila A. Wagar
Vice-President, Counsel and Secretary, Canada

Glossary of Insurance and Financial Terms

Administrative Services Only: An arrangement where the insurer provides administrative services for a plan sponsor's health benefits plan, such as maintaining enrollment information and adjudicating claims. The plan sponsor bears some or all of the claim risk.

Annuity: A contract providing income payments at regular (usually monthly) intervals for a specified period. A life annuity provides payments during the lifetime of the annuitant. An annuity certain provides periodic payments over a specified number of years and is not dependent on any person's survival. An annuity consideration is the payment, or series of payments, made to purchase an annuity. An annuity can be purchased as either registered or non-registered funds.

Cash value: The amount available in cash upon voluntary termination of a policy by its owner before it becomes payable by death or maturity.

Critical illness insurance: provides a one-time lump sum benefit to an insured who has been diagnosed with a critical condition. Normally, the insured must be diagnosed with a condition listed in the policy and live a certain period of time following the diagnosis, to collect benefits.

Derivative financial instruments: Financial contracts that derive their value from the value of an underlying asset or index, such as interest rates, exchange rates, equities or commodities. Derivative transactions are conducted in the over-the-counter market directly between two parties or on regulated exchange markets.

> **Swaps** are contractual agreements between two parties to exchange a rate of return on one investment for the rate of return on another investment such as a floating rate of interest for a fixed rate of interest. For cross-currency swaps, floating interest payments of one currency are exchanged for floating interest payments in a different currency. Equity index swaps are contracts to pay or receive cash flows based on the increase or decrease in the underlying index.
>
> **Options** convey the right, but not the obligation, to either buy or sell a specific amount of a financial instrument at a fixed price either at a fixed future date or at any time within a fixed future period. For options purchased, a premium or fee is paid for the right to exercise the option.
>
> **Forwards and Futures** are contracts to either buy or sell a specified currency or financial instrument at a specified price and date in the future. Forward contracts are customized and transacted in the over-the-counter market. Futures are transacted in standardized amounts on regulated exchanges and are subject to daily cash margining.
>
> **Notional Amount** is the face or principal value upon which the performance of a derivative contract is based. In general, notional values are not paid or received.
>
> **Maximum Credit Risk** is the current replacement cost of all outstanding derivative contracts with a positive (receivable by the company) value.
>
> **Future Credit Exposure** represents the potential for future changes in value based upon a formula prescribed by the Superintendent of Financial Institutions Canada.
>
> **Credit Risk Equivalent** represents the total of maximum credit risk and future credit exposure, less collateral.
>
> **Risk Weighted Balance** represents the credit risk equivalent, weighted according to the creditworthiness of the counterparty on a basis prescribed by the Superintendent of Financial Institutions Canada.
>
> **Total Estimated Fair Value** is the net of contracts in a receivable position (maximum credit risk) and those in a payable position.

Disability insurance (DI): A type of health insurance designed to compensate insured people for a portion of the income they lose because of a disabling injury or illness. Generally, benefits for disability insurance are in the form of monthly payments. Individual DI policies can be cancellable, where the insurer can terminate the policy at any time by providing written notice and refunding any advance premiums; or non-cancellable, where the insurer must renew the policy until the insured reaches a certain age, and cannot increase premiums.

Employee Benefits Division: A business unit of Great-West Life & Annuity Insurance Company. Employee Benefits markets health plans, and life and disability insurance on a group basis to corporations and associations.

Experience refund: The portion of a group insurance premium that is returned to a group policyholder whose claims experience is better than had been expected when the premium was calculated.

Financial Services Division: A business unit of Great-West Life & Annuity Insurance Company. Financial Services markets retirement savings products and services to employees of the state and local governments, hospitals, non-profit organizations, public school districts, and private businesses, and life insurance through institutional partners and certain Internet-based brokers.

Group Insurance Operations: A business unit of Great-West Life, that markets life, health and disability insurance products for group clients.

Individual Insurance & Investment Products: A business unit of Great-West Life in Canada, that markets life insurance and disability income insurance products for individual clients, and accumulation and payout annuity products for both group and individual clients.

Life insurance in force (face amount): The amount stated as payable at the death of the insured or at the maturity of the policy.

Managed care: A method of delivering, supervising and co-ordinating health care. In the United States this is often through HMOs and other networks of doctors and hospitals. In Canada, managed care often takes the form of co-ordinating treatment and rehabilitation for customers receiving disability benefits.

Minimum Continuing Capital and Surplus Requirement (MCCSR): A formula to determine the adequacy of an insurance company's capital, specified by the Office of the Superintendent of Financial Institutions Canada.

Morbidity rate: The likelihood that a person of a given age will suffer an illness or disability. The premium that a person pays for health insurance is based in part on the morbidity rate for that person's age group.

Mortality rate: The frequency with which death occurs among a defined group of people. The premium that a person pays for life insurance is based in part on the mortality rate for that person's age group.

New annualized premium: A measure of new sales, equal to the full first-year premium on all sales made during the year.

Non-participating life insurance: Life insurance issued on which policyholders do not share in any surplus earnings distributed by the company. No policy dividends are payable. The premium is based on an estimate of future costs and investment earnings very close to what the company feels most likely to occur, with a margin for contingencies and profit.

OSFI: Office of the Superintendent of Financial Institutions Canada. The federal agency responsible for regulating and supervising banks, insurance, trust, loan and investment companies and co-operative credit associations that are licensed or registered by the federal government.

Participating life insurance: Life insurance on which policyholders share in the surplus earnings attributable to the participating business. Policyholder dividends can be left on deposit in the policy as part of the cash value or can be used to purchase additional coverage, pay premiums or make loan payments.

Persistency: A measure of how long a policy or block of policies remains in force.

Policy liabilities: Amounts set aside today, which when combined with future premiums and investment income, will provide for future claims and expenses on in force policies.

Policyholder dividend: A return to the policyholder of his or her equitable share of the distributable surplus earning of the participating account. Policy dividends are not guaranteed but depend on mortality experience, investment earnings and other factors contributing to the participating account's financial position.

Policyholder surplus: The excess of assets over liabilities in the participating policyholder account.

Premium income: The income from sales of insurance policies and retirement savings and income products.

Reinsurance contracts: These contracts are legal agreements in which an insurer (cedant) transfers certain risks on insurance policies to another insurance company (the reinsurer).

Section 401(k) plan: In the United States, a type of employee retirement plan established by certain corporations.

Section 457 plan: In the United States, a type of employee retirement plan established by certain tax-exempt organizations.

Segregated funds: Investment funds managed separately from an insurance company's general funds, on behalf of clients. Unlike mutual funds, a percentage of the principal invested may be guaranteed in the event of the death of the investor.

Term life insurance: Insurance which provides protection for a specific length of time, such as one, five, 10 or 20 years. Most plans allow the policyholder to renew for another term or convert the policy to whole life insurance. The cost of term insurance increases as the policyholder ages. Term insurance does not generally have a cash value.

Universal life insurance: A whole life insurance product in which the mortality, investment and expense factors used to calculate premium rates and cash values are stated separately in the policy. Expense charges are deducted from the premium, and the balance is credited to the policy's cash value. Each month, the insurer deducts mortality costs from the cash value and credits the remainder of the cash value with interest. The policyholder can specify the premium amount, and change the death benefit after the policy has been issued, subject to restrictions established by the company.

Whole life insurance: Insurance which protects the policyholder throughout his or her lifetime, providing death benefits and building cash value. The policyholder may borrow funds against the value of the policy. The premium paying period may vary, e.g., payments may end after 20 years or at age 65. The cash value continues to build after premiums are fully paid. Also called traditional or permanent insurance.

Shareholder Information

Registered Office

100 Osborne Street North, Winnipeg, Manitoba R3C 3A5

Stock Exchange Listings

Symbol: GWO

The Common Shares, First Preferred Shares Series C, D, and
Class A Preferred Shares, Series 1 are listed on the Toronto Stock Exchange.

Transfer Agent and Registrar

Computershare Trust Company of Canada

11th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1
6th Floor, 530 8th Avenue S.W., Calgary, Alberta T2P 3S8
1500 University Street, Suite 700, Montreal, Quebec H3A 3S8
2nd Floor, 510 Burrard Street, Vancouver, British Columbia V6C 3B9
1190-201 Portage Avenue, Winnipeg, Manitoba R3B 3K6

Dividends

Common Shares and First Preferred Shares Series C and D – Dividend record dates are usually between the 14th and 17th of March, June, September and December. Dividends are usually paid the last day of each quarter.

Class A Preferred Shares, Series 1 – Dividend record dates are usually between the 14th and 17th of January, April, July and October. Dividends are paid on the last day of January, April, July and October.

Investor Information

For financial information about Great-West Lifeco Inc., please contact:

Canadian Operations: Chief Financial Officer (204) 946-7341
United States Operations: Chief Financial Officer (303) 737-6770

For copies of the Annual or Quarterly Reports, contact the Secretary's Office
(204) 946-8366 or visit our web site: www.greatwestlifeco.com

Common Share Investment Data*

	Market Price per Common Share ($)			Dividends	Dividend	Dividend
	High	Low	Close	Paid ($)	Payout Ratio	Yield**
2002	39.80	32.49	37.25	0.945	37.4%	2.6%
2001	40.04	30.35	34.30	0.78	56.2%	2.2%
2000	42.00	16.70	37.15	0.65	37.8%	2.2%
1999	31.25	17.35	23.35	0.53	37.1%	2.2%
1998	27.13	16.75	26.00	0.44	37.6%	2.0%
1997	19.50	9.98	19.25	0.37	38.1%	2.5%

* *In September 1998, the Company's common shares were subdivided on a 2 for 1 basis. 1998 and previous year data are presented on a subdivided basis.*

** *Dividends as percent of average high and low market price.*

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